

Schedule 1.25

Credit Default Swap Criteria

SCHEDULE 1.25 TO SETTLEMENT AGREEMENT

Criteria for Credit Default Swaps included as Security Documents:

1. Documentation - ISDA credit default swap documents, including 1999 ISDA Credit Derivative Definitions, as amended from time to time.
2. Fixed Rate Payor - AG (or its designee) (Fixed Rate Amounts to be paid by Williams (or by Williams Companies pursuant to the Williams Companies Guarantee) for benefit of AG)
3. Floating Rate Payor - An Eligible CDS Party
4. Reference Entity - The Williams Companies
5. Reference Obligation - Senior unsecured notes [to be discussed]
6. Fixed and Floating Rate Payor Calculation Amounts - 125% of Cash Consideration secured by such Credit Default Swap.
7. Settlement - Cash Settlement
8. Conditions to Payment - Credit Event Notice only. No requirement of Notice of Publicly Available Information.
9. Credit Events - Failure to Pay (\$1 million threshold); Bankruptcy; Obligation Acceleration (\$10 million threshold)
10. Obligation Category - Payment

Schedule 1.57

Guaranty

CONTINUING GUARANTY

THIS CONTINUING GUARANTY (this "Guaranty") is given as of November 11th, 2002 by The Williams Companies, Inc., a Delaware corporation ("Guarantor"), to and for the benefit of the People of the State of California, by and through the Attorney General (the "AG").

RECITALS

A. Pursuant to that certain Settlement Agreement dated as of November 11th, 2002 (the "Settlement Agreement") between and among, *inter alia*, the AG, Guarantor, and Williams Energy Marketing & Trading Company, a wholly-owned subsidiary of Guarantor ("Williams"), the AG has agreed to, among other things, release certain claims against Guarantor and Williams in exchange for the Cash Consideration, as such term is defined in the Settlement Agreement (the "Cash Consideration"), and other consideration described therein.

B. Guarantor expects to derive substantial direct and indirect benefits from the Settlement Agreement and is therefore willing to guarantee payment and performance of all of Williams' obligations to the AG with respect to the Cash Consideration, as set forth in this Guaranty.

C. The AG is unwilling to enter into the Settlement Agreement unless Guarantor directly and unconditionally guarantees the timely payment and performance of all of Williams' obligations with respect to the Cash Consideration, as set forth herein.

AGREEMENTS

NOW, THEREFORE, Guarantor hereby undertakes to, and agrees with, the AG as follows:

1. GUARANTY OF OBLIGATIONS. For value received, and in order to induce the AG to enter into the Settlement Agreement, Guarantor hereby guarantees to the AG the full and prompt payment and performance of all of Williams' "Obligations" (as defined herein), whether such Obligations are now existing or hereafter arising. As used in this Guaranty, the term "Obligations" means all of Williams' indebtedness, liabilities, and obligations to the AG of every kind and description, including, without limitation, all principal, interest, reasonable attorneys' fees, reasonable costs, and indemnities, arising under the terms of the Settlement Agreement with respect to the Cash Consideration, including, without limitation, all obligations of Williams to the AG under Section 4.8 therein. This Guaranty is an absolute, unconditional and continuing guaranty of the full and punctual payment and performance of the Obligations and not of their collectibility only and is in no way conditioned upon any requirement that the AG first attempt to collect any of the Obligations from Williams or resort to any security or other means of obtaining their payment. Payments by the Guarantor hereunder may be required by the AG on any number of occasions.

2. SETTLEMENT DOCUMENTS. This Guaranty, the Settlement Agreement and every other document executed in connection therewith are referred to in this Guaranty as the "Settlement Documents."

3. TRIGGERING EVENTS. An Event of Default under Section 4.8(a) of the Settlement Agreement shall constitute a Triggering Event hereunder.

4. POWERS UPON OCCURENCE OF TRIGGERING EVENT. Upon the occurrence of a Triggering Event or at any time thereafter, the AG may, at its option, without notice or demand, do any one or more of the following, in addition to any other rights or remedies the AG may have at law or in equity or which are given to the AG under any of the Settlement Documents, all of which are hereby authorized by Guarantor:

- (a) Declare the Obligations immediately due and payable;
- (b) Set-off against any and all deposits, accounts, claims, or other sums at any time credited by or due from the AG to the Guarantor and against all other property of Guarantor in the possession of the AG or under its control; and
- (c) Realize immediately upon any collateral given by Guarantor, if any, to secure Guarantor's obligations hereunder or Williams' obligations under Section 4.8 of the Settlement Agreement (the "Collateral").

5. COLLECTION EXPENSES. The Guarantor agrees to pay all actual costs of collection and attempted collection, including, without limitation: (a) those expenses reasonably incurred or paid to protect, preserve, collect, sell, advertise, locate, take possession of, liquidate or otherwise deal with any Collateral, (b) reasonable expenses of dealing with any person or entity in any bankruptcy proceeding, (c) all out-of-pocket expenses reasonably incurred by the AG for the AG's attorneys' and paralegal fees, disbursements, and costs, all at such rates and with respect to such services as the AG in its sole discretion may elect to pay (as such rates may vary from time to time during the course of the performance of such services), and (d) the reasonable costs of appraisers, investment bankers, and other experts that may be retained by the AG in connection with such collection efforts. Such costs will be added to the unpaid balance of the Obligations.

6. WAIVERS BY GUARANTOR; AG'S FREEDOM TO ACT. The Guarantor agrees that the Obligations will be paid and performed strictly in accordance with their respective terms regardless of any law, regulation or order now or hereafter in effect in any jurisdiction affecting any of such terms or the rights of the AG with respect thereto. The Guarantor waives presentment, demand, protest, notice of acceptance, notice of Obligations incurred and all other notices of any kind, all defenses which may be available by virtue of any valuation, stay, moratorium law or other similar law now or hereafter in effect, any right to require the marshalling of assets of Williams, and all suretyship defenses generally. Without limiting the generality of the foregoing, the Guarantor agrees to the provisions of any instrument evidencing, securing or otherwise executed in connection with any Obligation and agrees that the obligations of the Guarantor hereunder shall not be released or discharged, in whole or in part, or otherwise

affected by (a) the failure of the AG to assert any claim or demand or to enforce any right or remedy against Williams; (b) any extensions or renewals of any of the Obligations; (c) any rescissions, waivers, amendments or modifications of any of the terms or provisions of any agreement evidencing, securing or otherwise executed in connection with any of the Obligations; (d) the substitution or release of any entity primarily or secondarily liable for any of the Obligations; (e) the adequacy of any rights the AG may have against any collateral or other means of obtaining repayment of the Obligations; or (f) the impairment of any collateral securing the Obligations, including without limitation, the failure to perfect or preserve any rights the AG might have in such collateral or the substitution, exchange, surrender, release, loss or destruction of any such collateral.

7. UNENFORCEABILITY OF OBLIGATIONS AGAINST WILLIAMS. If for any reason Williams has no legal existence or is under no legal obligation to discharge any of the Obligations, or if any of the Obligations have become unrecoverable from Williams by operation of law or for any other reason, then this Guaranty shall nevertheless be binding on the Guarantor to the same extent as if the Guarantor at all times had been the principal obligor on all such Obligations. In the event that acceleration of the time for payment of the Obligations is stayed upon the insolvency, bankruptcy or reorganization of Williams, or for any other reason, all such amounts otherwise subject to acceleration under the terms of any agreement evidencing, securing or otherwise executed in connection with any Obligation shall be immediately due and payable by the Guarantor.

8. SUBROGATION; SUBORDINATION. Until the payment and performance in full of all Obligations, the Guarantor shall not exercise any rights against Williams arising as a result of payment by the Guarantor hereunder, by way of subrogation or otherwise, and will not prove any claim in competition with the AG in respect of any payment hereunder in bankruptcy or insolvency proceedings of any nature; the Guarantor will not claim any set-off or counterclaim against Williams in respect of any liability of the Guarantor to Williams; and the Guarantor waives any benefit of and any right to participate in any collateral which may be held by the AG. The payment of any amounts due to Guarantor with respect to any indebtedness of Williams now or hereafter held by the Guarantor is hereby subordinated to the prior payment in full of the Obligations, provided that so long as no Triggering Event has occurred and is continuing, or no demand for payment of any of the Obligations has been made that remains unsatisfied, Williams may make, and the Guarantor may demand and accept, any scheduled payments of principal of and interest on such subordinated indebtedness in the amounts, at the rates and on the dates specified in such instruments, securities or other writings as shall evidence such subordinated indebtedness. The Guarantor agrees that after the occurrence of any Triggering Event, the Guarantor will not demand, sue for or otherwise attempt to collect any such indebtedness of Williams to the Guarantor until the Obligations shall have been paid in full. If, notwithstanding the foregoing sentence, the Guarantor shall collect, enforce or receive any amounts in respect of such indebtedness, such amounts shall be collected, enforced and received by the Guarantor as trustee for the AG and be paid over to the AG on account of the Obligations without affecting in any manner the liability of the Guarantor under the other provisions of this Guaranty.

9. TERMINATION; REINSTATEMENT. This Guaranty shall remain in full force and effect until the Obligations are paid in full. This Guaranty shall continue to be effective or

be reinstated if at any time any payment made or value received with respect to an Obligation is rescinded or must otherwise be returned by the AG upon the insolvency, bankruptcy or reorganization of Williams, or otherwise, all as though such payment had not been made or value received.

10. AG'S RIGHTS. The AG shall not be deemed to have waived any of its rights under this Guaranty or otherwise unless such waiver is in writing and signed by the AG. The AG's failure to require strict performance of the terms, covenants and agreements of this Guaranty or any other of the Settlement Documents, or any delay or omission on the part of the AG in exercising any right, or any acceptance of partial or adequate payment or performance shall not waive, affect or diminish such right or Guarantor's duty of compliance and performance therewith. A waiver on any one occasion shall not be construed as a bar to or waiver of the same or any other right on the same or any future occasion. All rights and remedies of the AG under this Guaranty or any other of the Settlement Documents, shall be cumulative and may be exercised singularly or concurrently. The Obligations may be negotiated, extended or renewed by the AG without releasing the Guarantor.

11. SURVIVAL OF REPRESENTATIONS. All representations and warranties of Guarantor, if any, and all terms, provisions, conditions and agreements to be performed by Guarantor contained herein shall be true and satisfied at the time of the execution of this Guaranty, and shall survive the closing hereof and the execution and delivery of this Guaranty.

12. GOVERNING LAW. This Guaranty shall be governed by and interpreted according to the laws of the State of California, excluding any choice of laws provisions or conflict of laws principles which would require reference to the laws of any other jurisdiction. All suits, actions or other proceedings arising out of this Guaranty shall be determined by a California court. Guarantor hereby consents to the jurisdiction of the courts of the State of California and the United States courts located in the State of California, as well as to the jurisdiction of all courts to which an appeal may be taken from such courts, for the purpose of any suit, action or other proceeding arising out of this Guaranty and expressly waives any and all objections it may have as to venue in such courts. Guarantor further agrees that a summons and complaint commencing an action or proceeding in any such court shall be properly served and shall confer personal jurisdiction if served personally or by certified mail to Guarantor at its addresses set forth herein or as otherwise provided under the laws of the State of California.

13. SEVERABILITY. Wherever possible, each provision of this Guaranty shall be interpreted in such manner as to be effective and valid under applicable law, but if any provisions of this Guaranty shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Guaranty.

14. MODIFICATION. This Guaranty may not be altered or amended except by an agreement in writing signed by both the AG and Guarantor.

15. APPLICATION OF PAYMENT. Guarantor irrevocably waives the right to direct the application of any and all payments at any time or times hereafter received by the AG from

Guarantor, or from any other source, and Guarantor does hereby irrevocably agree that the AG shall have the continuing exclusive right to apply and reapply any and all payments received at any time or times hereafter against the Obligations in such manner as the AG may deem advisable.

16. SECTION TITLES. The section titles contained in this Guaranty are for convenience only and shall not affect the construction or meaning of this Guaranty.

17. NOTICES. All notices and other communications required or permitted under this Guaranty shall be in writing and shall be personally delivered or given by registered or certified mail. Any such notice shall be deemed effective on the earlier of (a) the time when such notice is actually received, or (b) the third day following its deposit in the United States mail, postage prepaid and addressed as follows:

If intended for Guarantor, to:

The Williams Companies, Inc.
Attn: Treasurer
One Williams Center, Suite 5000
Tulsa, OK 74172

with a copy to:

The Williams Companies, Inc.
Attn: General Counsel
One Williams Center, Suite 4900
Tulsa, OK 74172

If intended for the AG, to:

Kenneth Alex, Esq.
Office of the Attorney General
1515 Clay Street
P.O. Box 70550
Oakland, CA 94612-0550

Any party may change the address to which its future notices shall be sent by notice given as provided above, to be effective upon receipt.

18. ASSIGNMENT; SUCCESSORS AND ASSIGNS. Guarantor shall not be entitled to assign any of its rights or obligations under this Guaranty without the AG's prior written consent. The AG shall be entitled to assign some or all of its rights under this Guaranty without notice to or consent of Guarantor. This Guaranty shall be binding upon and inure to the benefit of the AG, Guarantor and their respective successors, assigns, trustees, receivers, administrators, personal representatives, legatees and devisees.

20. WAIVER OF JURY TRIAL. GUARANTOR EXPRESSLY AND VOLUNTARILY WAIVES ANY AND ALL RIGHTS, WHETHER ARISING UNDER THE UNITED STATES OR ANY STATE CONSTITUTION, ANY RULES OF CIVIL PROCEDURE, COMMON LAW OR OTHERWISE, TO DEMAND A TRIAL BY JURY IN ANY ACTION, LAWSUIT, PROCEEDING, COUNTERCLAIM OR ANY OTHER LITIGATION PROCEDURE BASED UPON, OR ARISING OUT OF, THIS GUARANTY OR ANY COLLATERAL SECURING THE OBLIGATIONS. GUARANTOR, INCLUDING ANY ASSIGNEE OR SUCCESSOR OF GUARANTOR, SHALL NOT SEEK A JURY TRIAL IN ANY SUCH ACTION. GUARANTOR SHALL NOT SEEK TO CONSOLIDATE ANY SUCH ACTION WITH ANY OTHER ACTION WHEN A JURY TRIAL CANNOT BE OR HAS NOT BEEN WAIVED. THESE PROVISIONS SHALL BE SUBJECT TO NO EXCEPTIONS. GUARANTOR ACKNOWLEDGES AND AGREES THAT THE AG HAS NOT IN ANY WAY AGREED WITH OR REPRESENTED TO GUARANTOR THAT THE PROVISIONS OF THIS PARAGRAPH WILL NOT BE FULLY ENFORCED IN ALL INSTANCES.

THE WILLIAMS COMPANIES, INC.
("Guarantor")

Carene De Manville
Witness

By: [Signature]

Print Name: Steven J. Malcolm

Print Title: President

THE WILLIAMS COMPANIES, INC.
("Guarantor")

Melissa Kindle
Witness

By: Deborah S. Fleming

Print Name: Deborah S. Fleming

Print Title: Deborah S. Fleming
Assistant Treasurer

State of Oklahoma)
) SS
County of Tulsa)

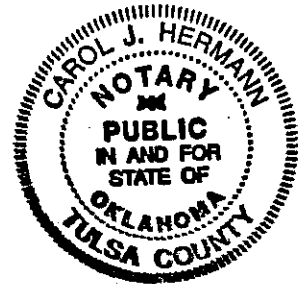
BEFORE ME, the undersigned authority, a notary public, on this day personally appeared Steven J. Malcolm, President of The Williams Companies, Inc., a Delaware corporation, known to me that she/he executed this Continuing Guaranty for the purposes and consideration therein expressed, in the capacity therein set forth and as the act and deed of said The Williams Companies, Inc.

GIVEN UNDER MY HAND AND SEAL of office, this the 11th day of November, 2002.

Carol J. Hermann
Notary Public 01003002

My Commission Expires: March 22, 2005

[SEAL]



State of Oklahoma)
) SS
County of Tulsa)

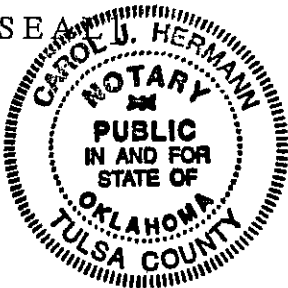
BEFORE ME, the undersigned authority, a notary public, on this day personally appeared Deborah A. Fleming, Assistant Treasurer of The Williams Companies, Inc., a Delaware corporation, known to me that she/he executed this Continuing Guaranty for the purposes and consideration therein expressed, in the capacity therein set forth and as the act and deed of said The Williams Companies, Inc.

GIVEN UNDER MY HAND AND SEAL of office, this the 11th day of November, 2002.

Carol J. Hermann
Notary Public 01003002

My Commission Expires: March 22, 2005

[SEAL]



Schedule 3.2 (a)
Renegotiated Contracts

AMENDED AND RESTATED MASTER POWER PURCHASE AND SALE AGREEMENT

COVER SHEET

PRODUCTS A, B, AND C

This *Amended and Restated Master Power Purchase and Sale Agreement* (Version 2.1; modified 4/25/00) ("*Products A, B, C Master Agreement*") is made as of the following date: November 11, 2002 ("Effective Date"). The *Products A, B, C Master Agreement*, together with the exhibits, schedules and any written supplements hereto, the Party A Tariff, if any, the Party B Tariff, if any, any designated collateral, credit support or margin agreement or similar arrangement between the Parties and all Transactions (including the Products A, B, C Transaction (defined below) and any confirmations accepted in accordance with Section 2.3 hereto) shall be referred to as the "Agreement." The Parties to this *Products A, B, C Master Agreement* are the following:

Name: Williams Energy Marketing & Trading
Company ("Williams" or "Party A" or "Seller")

Name: State of California Department of Water
Resources separate and apart from its powers and
responsibilities with respect to the State Water
Resources Development System ("California
Department of Water Resources" or "Department" or
"Party B" or "Buyer")

All Notices:

All Notices: California Department of Water
Resources/CERS

Street: One Williams Center

Street: 3310 El Camino Avenue, Suite 120

City: Tulsa, OK Zip: 74172

City: Sacramento, California Zip: 95821

Attn: Contract Administration

Attn: Executive Manager Power Systems

Phone: 918-573-4188

Phone: (916) 574-0339

Facsimile: 918-732-0269

Facsimile: (916) 574-2152

Duns: 82-467-8478

Duns:

Federal Tax ID Number: [REDACTED]

Federal Tax ID Number: [REDACTED]

Invoices:

Invoices: DWR/CERS Settlements Unit

Attn: Power Accounting

Attn: Doreen Singh

Phone: 918-573-8337

Phone: (916) 574-0309

Facsimile: 918-561-6893

Facsimile: (916) 574-1239

Scheduling:

Scheduling:

Attn: Cherry Smith

Attn: Chief Water and Power Dispatcher

Phone: 918-573-4835

Phone: (916) 574-0161

Facsimile: 918-573-1534

Facsimile: (916) 574-2569

Payments:

Payments:

Attn: Power Accounting

Attn: Cash Receipts Section

Phone: 918-573-8337

Phone: (916) 653-6892

Facsimile: 918-561-6893

Facsimile: (916) 654-9882

Wire Transfer:

BNK: Bank One, N.A.

ABA: [REDACTED]

ACCT: [REDACTED]

Wire Transfer:

BNK: Bank of America (Sacramento main branch)

for: Department of Water Resources

ABA: Routing # [REDACTED]

ACCT: # [REDACTED]

Credit and Collections:

Attn: Tim Neuman

Phone: 918-573-4880

Facsimile: 918-561-6987

Credit and Collections:

Attn: Deputy Controller

Phone: (916) 653-6148

Facsimile: (916) 653-8230

With additional Notices of an Event of Default to:

Attn: Contract Administration

Phone: 918-573-3059

Facsimile: 918-573-1935

With additional Notices of an Event of Default or

Potential Event of Default to:

Attn: Deputy Controller

Phone: (916) 653-6148

Facsimile: (916) 653-8230

The Parties hereby agree that the General Terms and Conditions are incorporated herein, and to the following provisions as provided for in the General Terms and Conditions:

Party A Tariff Tariff n/a Dated _____ Docket Number _____

Party B Tariff Tariff n/a Dated _____ Docket Number _____

Article Two

Transaction Terms and Conditions ☒ Optional provision in Section 2.4. If not checked, inapplicable.

Article Four

Remedies for Failure
to Deliver or Receive

☐ Accelerated Payment of Damages. If not checked, inapplicable.

Article Five

Events of Default; Remedies

☐ Cross Default for Party A:

☐ Party A: _____ Cross Default Amount \$ _____

☐ Other Entity: _____ Cross Default Amount \$ _____

☐ Cross Default for Party B:

☐ Party B: _____ Cross Default Amount \$ _____

☐ Other Entity: _____ Cross Default Amount \$ _____

5.6 Closeout Setoff

☐ Option A (Applicable if no other selection is made.)

☐ Option B - Affiliates shall have the meaning set forth in the Agreement

☒ Option C (No Setoff)

Article 8

Credit and Collateral Requirements

8.1 Party A Credit Protection:

(a) Financial Information:

☐ Option A
☐ Option B Specify: _____
☒ Option C Specify: (1) Annual audit, annual budget and all financial information sent to any seller under a power purchase agreement; Party B shall use reasonable commercial efforts to periodically prepare and make available to all sellers under power sales agreements, but not more frequently than quarterly, financial information reasonably intended to apprise all such sellers of the financial conditions of the Fund.) (2) Under any Buyer Replacement Agreement (defined below), or if Party B is an entity other than the California Department of Water Resources, financial statements, audited if available, no less frequently than quarterly. Notwithstanding anything in this Agreement to the contrary, any non-public financial statements provided pursuant to this Section shall be kept confidential.

(b) Credit Assurances:

☒ Not Applicable
☐ Applicable

(c) Collateral Threshold:

☒ Not Applicable
☐

If applicable, complete the following:

Party B Collateral Threshold: ; provided, however, that Party B's Collateral Threshold shall be zero if an Event of Default or Potential Event of Default with respect to Party B has occurred and is continuing.

Party B Independent Amount: [\$ _____]

Party B Rounding Amount: [\$ _____]

(d) Downgrade Event:

☒ Not Applicable
☐ Applicable

If applicable, complete the following:

☐ It shall be a Downgrade Event for Party B if Party B's Credit Rating falls below [_____] from S&P or _____ from Moody's or if Party B is not rated by either S&P or Moody's

☐ Other:
Specify: _____

(e) Guarantor for Party B: _____

Guarantee Amount: _____

8.2 Party B Credit Protection:

(a) Financial Information:

☐ Option A
☐ Option B Specify: _____
☒ Option C Specify: Party A to provide annual 10k filings of its parent and financial statements of Party A, audited if available, together with an officer's certificate relating to same, no less frequently than quarterly. Notwithstanding anything in this Agreement to the contrary, non-public financial statements provided pursuant to this Section shall be kept confidential.

(b) Credit Assurances:

☒ Not Applicable
☐ Applicable

(c) Collateral Threshold:

☒ Not Applicable
☐

If applicable, complete the following:

Party A Collateral Threshold: \$; provided, however, that Party A's Collateral Threshold shall be zero if an Event of Default or Potential Event of Default with respect to Party A has occurred and is continuing.

Party A Independent Amount: \$ _____

Party A Rounding Amount: \$ _____

(d) Downgrade Event

☒ Not Applicable
☐ Applicable

If applicable, complete the following:

☐ It shall be a Downgrade Event for Party A if Party A's Credit Rating falls below _____ from S&P or _____ from Moody's or if Party A is not rated by either S&P or Moody's

☐ Other:

(e) Guarantor for Party A: _____

Article 10

Confidentiality

☐ Confidentiality Applicable

If not checked, inapplicable.

Schedule M

☐ Party A is a Governmental Entity or Public Power System
☒ Party B is a Governmental Entity or Public Power System
☐ Add Section 3.6. If not checked, inapplicable
☐ Add Section 8.4. If not checked, inapplicable

Other Changes

Specify, if any: _____

(a) Definitions.

- (1) Section 1.11 is amended by adding the following sentence at the end of the current definition: "The Non-defaulting Party shall use commercially reasonable efforts to mitigate or eliminate these Costs."
- (2) Section 1.51, "Replacement Price" is amended on the fifth line by deleting the phrase "at Buyer's option" and inserting the following phrase: "absent a purchase."
- (3) Section 1.53, "Sales Price" is amended on the fifth line of by deleting the phrase "at Seller's option" and inserting the following phrase: "absent a sale."
- (4) Sections 1.6, 1.24, 1.28, 1.33, 1.34, 1.35, 1.36, 1.43, 1.44, 1.46, 1.48 and 1.56 are amended by deleting the text in each of such sections and substituting therefor "[Intentionally omitted.]"
- (5) Section 1.59 is amended by changing "Section 5.3" to "Section 5.2."
- (6) Sections 1.62 through 1.73 are added to Article One as follows:

- 1.62 "Bonds" means the bonds offered by the Department of Water Resources pursuant to AB 1X, codified at California Water Code Section 80100 et seq (the "Act") with recourse only to the Trust Estate, and shall include any financing pursuant to Executive Order D-42-01 and a Credit and Security Agreement, dated as of June 26, 2001, by and among the Department of Water Resources, various lenders and Morgan Guaranty Trust Company of New York, as agent on behalf of such lenders.
- 1.63 "Buyer Replacement Agreement" means any agreement identical to this Agreement (including the Products A, B, C Transaction) between Party A and a Qualified Electrical Corporation, excluding provisions relating to Party B's status as a governmental agency or to the original start date(s) of this Agreement, and together with such changes as Party A and such Qualified Electrical Corporation may agree.
- 1.64 "Fund" means the Department of Water Resources Electric Power Fund established by Section 80200 of the Water Code.
- 1.65 "Market Quotation Average Price" means the average of the good faith quotations solicited from not less than three (3) Reference Market-makers; provided, however, that the Party soliciting such quotations shall use commercially reasonable efforts to obtain good faith quotations from at least five (5) Reference Market-makers and, if at least five (5) such quotations are obtained, the Market Quotation Average Price shall be determined disregarding the highest and lowest quotations.
- 1.66 "Market Value" has the meaning set forth in Section 5.3.
- 1.67 "Per Unit Market Price" means the applicable price per MWh determined in accordance with Section 5.3.
- 1.68 "Products A, B, C Transaction" means the Transaction described in the attached Confirmation dated November 11, 2002.
- 1.69 "Qualified Electric Corporation" means an electrical corporation as defined by the Act, whose long-term unsecured senior debt on the effective date of any Buyer Replacement Agreement is rated BBB or better by S&P and Baa2 or better by Moody's and is not on negative outlook or Credit Watch from either rating agency; provided that with the exception of San Diego Gas and Electric Company, Southern California Edison Company and Pacific gas and Electric Company, no electrical corporation shall be a Qualified Electrical Corporation without the prior written agreement of Party A.

- 1.70 "Qualified Power Seller" means any entity (a) engaged in the selling of electricity whose long-term unsecured senior debt on the effective date of any Assignment and Assumption Agreement is rated BBB or better by Standard & Poor's and Baa2 or better by Moody's and is not on negative outlook or Credit Watch from either rating agency, and (b) approved by Party B, such approval not to be unreasonably withheld.
- 1.71 "Reference Market-maker" means any marketer, trader or seller of or dealer in firm energy products whose long-term unsecured senior debt is rated BBB- or better by Standard & Poor's and Baa3 or better by Moody's Investor Services.
- 1.72 "Replacement Contract" means a contract having a term, quantity, delivery rate, delivery point and product substantially similar to the remaining Term, quantity, delivery rate, Delivery Point and Product to be provided under this Agreement.
- 1.73 "Trust Estate" means all revenues received by Party B under any obligation entered into, and rights to receive the same, and moneys on deposit in the Fund and income or revenue derived from the investment thereof.

(b) **Transactions.** The Transaction shall be in writing and this Agreement may not be amended or modified except in writing signed by the Parties' respective duly authorized representatives. For purposes of this requirement, a Recording pursuant to Section 2.5 shall not constitute a writing.

(c) **Governing Terms.** Section 2.2 is amended by adding the following sentence at the end of the current section:

"Notwithstanding the foregoing, the Products A, B, C Transaction shall be treated as a stand-alone Transaction and accordingly, (a) provisions in the Master Agreement referring to offsetting or netting multiple Transactions shall not be applicable to the Products A, B, C Transaction, and (b) an Event of Default or Potential Event of Default with respect to any Transaction other than the Products A, B, C Transaction shall not affect the Products A, B, C Transaction. No provision of any other Confirmation entered into pursuant to Section 2.4 shall affect the Products A, B, C Transaction."

(d) **Confirmation.** Section 2.3, Confirmation, the term "Seller" (and cognates) is deleted and is replaced with "Party A" in each place where it occurs; and the term "Buyer" (and cognates) is deleted and is replaced with "Party B" in each place where it occurs. And insert the words "or other electronic transmission," after the word "facsimile."

(e) **Recording.** Section 2.5, Recording, the phrase "of all telephone conversations between the Parties to this Master Agreement" is deleted and replaced with the phrase "of all telephone conversations between the energy scheduling and/or trading personnel of the Parties to this Products A, B, C Master Agreement related to scheduling of energy to be delivered pursuant to this Agreement."

(f) **Transmission and Scheduling.** Section 3.2 is amended by renaming it "Transmission, Scheduling and Imbalance Charges" and inserting the following sentences at the end thereof:

"In addition to the remedies provided under Article 4, Buyer shall assume all liability for and reimburse Seller within thirty (30) days of presentation of an invoice for any Penalties incurred as a result of Buyer's failure to (i) notify Seller of a failure to Schedule or a change in a Schedule or (ii) comply with the Transmission Provider's tariff and scheduling policies. Seller shall assume all liability for and reimburse Buyer within thirty (30) days of presentation of an invoice for any Penalties incurred as a result of Seller's failure to (i) notify Buyer of a failure to Schedule or a change in a Schedule or (ii) comply with the Transmission Provider's tariff and scheduling policies. The Parties shall notify each other as soon as possible of any imbalance that is occurring or has occurred and shall cooperate to eliminate imbalances and minimize Penalties. Penalties shall be defined as any fees, liabilities, assessments or similar charges assessed by a Transmission Provider."

(g) **Events of Default.** Section 5.1 is amended as follows.

- (1) In Section 5.1(c) the phrase "three (3) Business Days", is deleted and replaced with "fifteen (15) Business Days".

- (2) Add a new subsection (i) as follows:

(i) for Party B, any amendment or repeal of the Water Code subsequent to the date hereof, that adversely affects the ability of Party B to perform its obligations under this Agreement or otherwise adversely affects the rights of Party A hereunder, in which event Party B shall be the Defaulting Party.

(h) Declaration of an Early Termination Date and Calculation of Termination Payment.

(1) The last sentence of Section 5.2 is replaced in its entirety by the following: "Upon termination of this Agreement as the result of an Event of Default, the Non-Defaulting Party shall be entitled to a payment (the "Termination Payment") which shall be the aggregate of the Market Value and Costs calculated as of the Early Termination Date in accordance with Section 5.3. As soon as practicable after the Early Termination Date, the Non-Defaulting Party shall give notice to the Defaulting Party of the amount of the Termination Payment, if any, due to the Non-Defaulting Party. The notice shall include a written statement explaining in reasonable detail the calculation of such amount. Termination Payment to be made no later than one hundred eighty (180) days after receipt of written notice of an Early Termination Date."

(2) The following shall be added to the end of Section 5.2 (as amended by clause (1) immediately above): "Notwithstanding the other provisions of this Agreement, if the Non-Defaulting Party has the right to liquidate or terminate all obligations arising under the Agreement under the provisions of this Article 5 because the Defaulting Party or its Guarantor either (a) is the subject of a bankruptcy, insolvency, or similar proceeding, or (b) applies for, seeks, consents to, or acquiesces in the appointment of a receiver, custodian, trustee, liquidator, or similar official for all or a substantial portion of its assets, then this Agreement and the Transaction shall automatically terminate, without notice, as if the Early Termination Date was the day immediately preceding the events listed in Section 5.1."

- (3) Section 5.3 is replaced in its entirety by the following:

"5.3. Termination Payment Calculations. The Non-Defaulting Party shall calculate the Termination Payment as follows:

- (a) Market Value shall be (i) in the case Party B is the Non-Defaulting Party, the present value of the positive difference, if any, of (A) payments under a Replacement Contract based on the Per Unit Market Price, and (B) payments under this Agreement, or (ii) in the case Party A is the Non-Defaulting Party, the present value of the positive difference, if any, of (A) payments under this Agreement, and (B) payments under a Replacement Contract based on the Per Unit Market Price, in each case using the Present Value Rate as of the time of termination (to take account of the period between the time notice of termination was effective and when such amount would have otherwise been due pursuant to the relevant transaction). The "Present Value Rate" shall mean the sum of 0.50% plus the yield reported on page "USD" of the Bloomberg Financial Markets Services Screen (or, if not available, any other nationally recognized trading screen reporting on-line intraday trading in United States government securities) at 11:00 a.m. (New York City, New York time) for the United States government securities having a maturity that matches the average remaining term of this Agreement. It is expressly agreed that the Non-Defaulting Party shall not be required to enter into a Replacement Contract in order to determine the Termination Payment.
- (b) To ascertain the Per Unit Market Price of a Replacement Contract with a term of less than one year, the Non-Defaulting Party may consider, among other valuations, quotations from leading dealers in energy contracts, the settlement prices on established, actively traded power exchanges, other bona fide third party offers and other commercially reasonable market information.
- (c) To ascertain the Per Unit Market Price of a Replacement Contract with a term of one year or more, the Non-Defaulting Party shall use the Market Quotation Average Price; provided, however, that if there is not an actively traded market for such Replacement Contract or if the Non-Defaulting Party is unable to obtain reliable quotations from at least three (3) Reference Market-makers, the Non-Defaulting Party shall use the methodology set forth in paragraph (b).
- (d) In no event, however, shall a party's Market Value or Costs include any penalties, ratcheted demand charges or similar charges imposed by the Non-Defaulting Party.

If the Defaulting Party disagrees with the calculation of the Termination Payment and the parties cannot otherwise resolve their differences, the calculation issue shall be submitted to dispute resolution as provided in Section 10.12 of this Agreement. Pending resolution of the dispute, the Defaulting Party shall pay the full amount of the Termination Payment calculated by the Non-Defaulting Party no later than one hundred eighty (180) days after receipt of written notice of an Early Termination Date."

(3) Section 5.4 is replaced in its entirety by the following:

Section 5.4 Adequate Assurance. Notwithstanding any other provision of this Agreement, Party A and Party B acknowledge and agree that if an order for relief under Chapter 11 of the United States Bankruptcy Code (11 U.S.C. sec. 101 et seq.), as the same may be amended from time to time (the "Bankruptcy Code"), is entered against Party A at any time during the term of this Agreement, then, if this Agreement has not been terminated, adequate assurances of future performance will not be provided to Party B by Party A within the meaning of section 365(b)(1) of the Bankruptcy Code unless Party A affirmatively establishes that it has the required financial or other resources necessary to operate and perform under this Agreement.

Party A and Party B further acknowledge and agree that if an order for relief under Chapter 11 of the Bankruptcy Code is at any time entered against Party A during the term hereof, then Party A must be able to cure (a) all non-monetary defaults hereunder within ninety (90) days of the date on which Party A proposes to assume this Agreement; and (b) all monetary defaults hereunder within one (1) year from the date on which Party A proposes to assume this Agreement.

(4) Sections 5.5, 6.7 and 6.8 are amended by deleting the text in each of such sections and substituting therefor "[Intentionally omitted.]"

(i) **Timeliness of Payment.** Add the following to Section 6.2 before the first sentence in that section: "Party A shall provide invoice data, disaggregated by transaction components, in a template format may be reasonably specified by Party B."

(j) **Limitations.** Article Seven is amended as follows:

(1) Add a new Section 7.2, "The obligations hereunder of Party A shall be solely those of Party A and Guarantor, if any, and no other person or entity."

(k) **Grant of Security Interest/Remedies.** In Section 8.3 the phrase "or deemed occurrence" is deleted from the beginning of the second sentence.

(l) **Governmental Charges.** Add the following to Section 9.2 after the second sentence in that section: "Party A shall be entitled to pass through to Party B any liability, loss, cost, damage and expense, including gross-up, arising out of a tax or other imposition enacted by the California state legislature after the date of this Agreement that is not of general applicability and is instead directed at the assets or activities involved in the generation, sale, purchase, ownership and/or transmission of electric power, natural gas and/or other utility or energy goods and services, but only insofar as such liability, loss, cost, damage or expense relates to a Transaction hereunder and reflects an increase in Party A's cost of service in connection therewith. Party B shall be entitled to the benefit or reduction of or credit with respect to any such tax or other imposition enacted by the California state legislature after the date of this Agreement, but only insofar as such benefit relates to a Transaction hereunder and results in a decrease in Party A's cost of service for such Transaction."

(m) **Term of Master Agreement.** Add the following sentence to Section 10.1: "The Products A, B, C Transaction shall terminate on the day following the last day of the Delivery Period, unless terminated sooner pursuant to the express provisions of this Agreement or as a result of an Event of Default".

(n) **Representations and Warranties.**

- (1) the phrase "... and is qualified to conduct its business in each jurisdiction in which it will perform a Transaction" is added to the end of Section 10.2(i);
- (2) the phrase ", except as would not have a material and adverse affect on the other Party" is added to the end of Section 10.2(iii);
- (3) the phrase "or any of its Affiliates" is deleted from Section 10.2(vi);
- (4) the phrase ", and are reasonable in all respects, including rates and allocation of risk" is added to the end of Section 10.2(xii);
- (5) clauses (ix) and (xi) of Section 10.2 are amended by deleting the text in each of such sections and substituting therefor "[Intentionally omitted.]", provided, that such clauses shall be included in any Buyer Replacement Agreement as defined herein.

(o) **Indemnity.** The phrase "To the extent permitted by law" is added at the beginning of the first two sentences of Section 10.4. Add the following to the end of Section 10.4: "To the extent Party A and Party B are named as defendants by a third party in any action arising with respect to delivery of Product and Party B receives any amount from a third party as indemnification or reimbursement with respect to such action, Party A and Party B agree to equitably divide such amount."

(p) **Assignment.** In Section 10.5, the existing paragraph shall be replaced in its entirety with the following:

"(a) Neither Party shall assign this Agreement or its rights hereunder without the prior written consent of the other Party, which consent may be withheld in the exercise of its sole discretion.

(b) Notwithstanding the foregoing, Party A may, without the consent of Party B, (i) transfer, sell, pledge, encumber or assign this Agreement or the accounts, revenues or proceeds hereof in connection with any financing or other financial arrangements, (ii) transfer or assign this Agreement to an affiliate of Party A which affiliate's creditworthiness is equal to or higher than that of Party A, or (iii) transfer or assign this Agreement to any person or entity succeeding to all or substantially all of the assets whose creditworthiness is equal to or higher than that of Party A; provided, however, that in each such case, such assignee shall agree in writing to be bound by the terms and conditions hereof and, so long as the Party A delivers such tax and enforceability assurances together with such assurances as to the sufficiency of creditworthiness of such assignee to perform its obligations hereunder, as Party B may reasonably request; provided, further, however, that in the event this Agreement is pledged or assigned to a bond trustee pursuant to clause (i) as collateral for bonds issued by Party A, such bond trustee shall not be required to agree in writing to be bound by the terms and conditions hereof unless and until the bond trustee or any successor or assign shall foreclose on such collateral in which case such bond trustee or its successor or assign shall be bound by each of the provisions hereof, including the immediately preceding proviso.

(c) Notwithstanding the foregoing, Party B, without the consent of Party A, may (i) transfer, sell, pledge, encumber or assign this Agreement or the accounts, revenues or proceeds hereof in connection with any financing or other financial arrangements, or (ii) transfer and assign all of its right, title and interest to this Agreement and the Fund to another Governmental Entity created or designated by law solely to carry out the rights, powers, duties and obligations of the Department under the Act, provided, however, that in each such case, such assignee shall agree in writing to be bound by the terms and conditions hereof and, in each such case, so long as the transferring Party delivers such tax and enforceability assurances together with such assurances as to the sufficiency of creditworthiness of such assignee to perform its obligations hereunder, as the non-transferring Party may reasonably request; provided, further, however, that in the event this Agreement is pledged or assigned to a bond trustee pursuant to clause (i) as collateral for bonds issued by Party B, such bond trustee shall not be required to agree in writing to be bound by the terms and conditions hereof unless and until the bond trustee or any successor or assign shall foreclose on such

collateral in which case such bond trustee or its successor or assign shall be bound by each of the provisions hereof, including the immediately preceding proviso."

(q) **Governing Law.** In Section 10.6, "New York" shall be replaced with "California."

(r) **General.**

(1) The phrase "Except to the extent herein provided for," shall be deleted from the fourth sentence of Section 10.8, and the phrase "and this agreement may not be orally amended or modified, including by Recording pursuant to Section 2.5" shall be added to the end of such fourth sentence.

(2) In the ninth sentence of Section 10.8, insert "materially affected or" after the phrase "Any provision," and insert "and materially affected by or" after the phrase "or regulatory agency."

(s) **Additional Provisions.** New Sections 10.12 through 10.18 are added to Article 10 as follows:

10.12. **No Retail Services; No Agency.** (a) Nothing contained in this Agreement shall grant any rights to or obligate Party A to provide any services hereunder directly to or for retail customers of any person.

(b) In performing their respective obligations hereunder, neither Party is acting, or is authorized to act, as agent of the other Party.

10.13 **Dispute Resolution.** (a) If a dispute shall arise between the Parties relating to the interpretation of this Agreement or to performance by a Party hereunder or under any Transaction, the Party desiring resolution of the dispute shall notify the other Party in writing. The notice shall set forth the matter in dispute in reasonable detail and a proposed solution.

(b) The Parties shall attempt to resolve any dispute within 15 calendar days after delivery of the written notice referred to above. Any disputes not so resolved shall be referred by each Party to an officer (or the officer's designee) for resolution. If the Parties fail to reach an agreement within 15 days after such referral, each Party shall have the right to pursue any and all remedies provided in this Agreement and as afforded by applicable law.

(c) The existence of any dispute or controversy under this Agreement or the pendency of the dispute settlement or resolution procedures set forth herein shall not in and of itself relieve or excuse either Party from its ongoing duties and obligations under this Agreement.

10.14 **WAIVER OF JURY TRIAL.** THE PARTIES HEREBY EXPRESSLY WAIVE ALL RIGHTS TO TRIAL BY JURY ON ANY CAUSE OF ACTION, SUIT OR PROCEEDING DIRECTLY OR INDIRECTLY INVOLVING OR RELATED TO THE TERMS, COVENANTS OR CONDITIONS OF THIS AGREEMENT OR ANY MATTERS WHATSOEVER ARISING OUT OF OR IN ANY WAY CONNECTED WITH OR RELATED TO THIS AGREEMENT. EACH PARTY (I) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF THE OTHER PARTY OR ANY CREDIT SUPPORT PROVIDER HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF SUCH A SUIT, ACTION OR PROCEEDING, SEEK TO ENFORCE THE FOREGOING WAIVER AND (II) ACKNOWLEDGES THAT IT AND THE OTHER PARTY HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND PROVIDE FOR ANY CREDIT SUPPORT DOCUMENTS, AS APPLICABLE, BY AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION. THE PROVISIONS OF THIS AGREEMENT RELATING TO WAIVER OF JURY TRIAL SHALL SURVIVE THE TERMINATION OR EXPIRATION OF THIS AGREEMENT.

10.15 No Third Party Beneficiaries.

The provisions of this Agreement are for the benefit of the Parties hereto, and as to any other person or entity, this Agreement shall not be construed as a third party beneficiary contract.

10.16 CAISO Imbalance Markets; Scheduling. Party A shall not intentionally (a) use the CAISO uninstructed imbalance energy markets to deliver the Contract Quantity to Party B, or (b) for economic reasons fail to schedule by the time delivery is due the Contract Quantity to Party B during any CAISO stage alert; provided in no event shall Party A be precluded from bidding or providing "regulation down" or similar services recognized by the CAISO.

From time to time (but not more frequently than monthly) upon Party B's request, Party A shall provide Party B scheduling information reasonably satisfactory to Party B in sufficient detail to enable Party B to verify compliance with this Section 10.16.

10.17 Fixed Rate Contract; Mobile-Sierra Clause. The Parties hereby stipulate and agree that, under the facts and circumstances known to them at this time, this Agreement was entered into as a result of arms'-length negotiations between the Parties. Further, the Parties believe that the rates, terms and conditions of this Agreement are just and reasonable within the meaning of Sections 205 and 206 of the Federal Power Act, 16 U.S.C. Sections 824d and 824e, and that the rates, terms and conditions of this Agreement will remain so over the life of the Agreement. The Parties waive all rights to challenge the validity of this Agreement or whether it is just and reasonable for and with respect to the entire term thereof, including any rights under Sections 205 and 206 of the Federal Power Act to request the FERC to revise the terms and conditions and the rates or services specified in this Agreement, and hereby agree to make no filings at the FERC or with any other state or federal agency, board, court or tribunal challenging the rates, terms and conditions of this Agreement as to whether they are just and reasonable or in the public interest under the Federal Power Act. The Parties hereby further stipulate and agree that neither Party may bring any action, proceeding or complaint under Section 205 or 206 of the Federal Power Act, 16 U.S.C. 824d or 824e, seeking to modify, cancel, suspend, or abrogate the rates, terms and conditions of this Agreement or any Transaction hereunder, or to prevent this Agreement or any Transaction hereunder from taking effect. It is further agreed that, in the event any of the Parties challenges this Agreement for any other reason, they will not dispute the applicability of the public interest standard as that term has been defined and interpreted under the Federal Power Act and the cases of *United Gas Pipe Line Co. v. Mobile Gas Corp.*, 350 U.S. 332 (1956), and *FPC v. Sierra Pacific Power Co.*, 350 U.S. 348 (1956), and subsequent cases.

10.18 Novation. Notwithstanding the foregoing limitations on assignment, at any time after January 1, 2003, the Seller shall, upon the written request of Department, enter into one or more Buyer Replacement Agreements as may be agreed to by one or more Qualified Electric Corporations. This Agreement shall terminate upon effective date of a Buyer Replacement Agreement. The effectiveness of the Buyer Replacement Agreement shall constitute a novation that shall relieve Department of any liability or obligation arising after the date of termination of the Agreement. Such Buyer Replacement Agreement shall state that it is a Buyer Replacement Agreement within the meaning of this Agreement and that it constitutes a novation for which there is adequate consideration. The effectiveness of such Buyer Replacement Agreement shall be subject to the condition precedent that the California Public Utilities Commission shall have conducted a just and reasonable review under Section 451 of the Public Utilities Code with respect to such Buyer Replacement Agreement and shall have issued an order determining that the charges under such Buyer Replacement Agreement are just and reasonable.

(t) Schedule M. Schedule M shall be amended as follows:

- (1) In Section A, "Act" will mean Sections 80000, 80002, 80002.5, 80003, 80004, 80010, 80012, 80014, 80016, 80100, 80102, 80104, 80106, 80108, 80110, 80112, 80116, 80120, 80122, 80130, 80132, 80134, 80200, 80250, 80260 and 80270 of the Water Code, as amended.

- (2) "Special Fund" will mean the Fund.
- (3) In Section A, the defined term "Governmental Entity or Public Power System" shall be replaced with the term "Governmental Entity" using the following definition "'Governmental Entity' means the State of California, any State governmental board, public power authority, public utility district, joint action agency, or other similar political subdivision or public entity of the State of California, the State of California Department of Water Resources, or any combination thereof"; and all references to (A) "Governmental Entity or Public Power System" (and cognates) and (B) "Public Power System" (and cognates) in Schedule M shall be replaced with the new defined term "Governmental Entity" (using the applicable cognate).
- (4) In Section B, the sentence to be added to the end of the definition of "Force Majeure" in Article One shall be replaced with the following: "If the Claiming Party is a Governmental Entity, Force Majeure does not include any act or omission of a Governmental Entity (or any branch, subdivision, agency, officer or representative thereof) in its governmental capacity or any other act or omission of any Governmental Entity (including judicial action or inaction) and such act or omission shall be deemed to be an action of Party B.
- (5) In Section C add the following representations and warranties:
 - (i) "Party B represents and warrants that a Rate Agreement By and Between State of California Department of Water Resources and State of California Public Utilities Commission adopted by the California Public Utilities Commission on February 21, 2001 in Decision 02-02-051 (the "rate Agreement") is binding and in effect."
 - (ii) Party B represents and warrants each of this Amended and Restated Master Power Purchase and Sale Agreement and the Products A, B, C Transaction is a "Priority Long Term Power Contract" as that term is defined in the Rate Agreement.
- (6) In Section D, delete Section 3.5 and replace it with the following:

"Section 3.5 No Immunity Claim. California law authorizes suits based on contract against the State or its agencies, and Party B agrees that it will not assert any immunity it may have as a state agency against such lawsuits filed in California state court."
- (7) In Section G, specify that the laws of the State of California will apply.
- (8) Add a new Section H, which shall read as follows:

Section 3.6. Payments Under Agreement an Operating Expense. Payments under this Agreement shall constitute an operating expense of the Fund payable prior to all bonds, notes or other indebtedness secured by a pledge or assignment of the Trust Estate or payments to the general fund.
- (9) Add a new Section I, which shall read as follows:

Section 3.7. Rate Covenant; No Impairment. Party B covenants that it will, at least annually, and more frequently as required, establish and revise revenue requirements sufficient, together with any moneys on deposit in the Fund, to provide for the timely payment of all obligations which it has incurred, including any payments required to be made by Party B pursuant to this Agreement. While any obligations of Party B pursuant this Agreement remain outstanding and not fully performed or discharged, the rights, powers, duties and existence of Party B and the Public Utilities Commission shall not be diminished or impaired in any manner that will affect adversely the interests and rights of Party A under this Agreement.
- (10) Add a new Section J, which shall read as follows:

Section 3.8. Sources of Payment; No Debt of State. Party B's obligation to make payments hereunder shall be limited solely to the Fund. Any liability of Party B arising in connection with this Agreement or any claim based thereon or with respect thereto, including, but not limited to, any Termination Payment arising as the result of any breach or Potential Event of Default or Event of Default under this Agreement, and any other payment obligation or liability of or judgment against Party B hereunder, shall be satisfied solely from the Special Fund. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF CALIFORNIA ARE OR MAY BE PLEDGED FOR ANY PAYMENT UNDER THIS AGREEMENT. Revenues and assets of the State Water Resources Development System shall not be liable for or available to make any payments or satisfy any obligation arising under this Agreement.

(11) Add a new Section K, which shall read as follows:

"Section 3.9 No More Favorable Terms. Party B shall not provide in any power purchase agreement payable from the Trust Estate for (i) collateral or other security or credit support with respect thereto, (ii) a pledge or assignment of the Trust Estate for the payment thereof, or (iii) payment priority with respect thereto superior to that of Party A, without in each case offering such arrangements to Party A."

(12) Add a new Section L, which shall read as follows:

"Section 3.10. Application of Government Code and the Public Contracts Code. Party A has stated that, because of the administrative burden and delays associated with such requirements, it would not enter into this Agreement if the provisions of the Government Code and the Public Contracts Code applicable to state contracts, including, but not limited to, advertising and competitive bidding requirements and prompt payment requirements would apply to or be required to be incorporated in this Agreement. Accordingly, pursuant to Section 80014(b) of the Water Code, Party B has determined that it would be detrimental to accomplishing the purposes of Division 27 (commencing with Section 80000) of the Water Code to make such provisions applicable to this Agreement and that such provisions and requirements are therefore not applicable to or incorporated in this Agreement."

(13) Add a new Section M, which shall read as follows:

"Section 3.11. Electric Corporations as Agents. Party B shall establish or cause to be established the terms and conditions for the segregation of moneys received by electrical corporations pursuant to Section 80106 pending their transfer to Party B in accordance with Section 80112 of the Water Code."

(13) Add a new Section N, which shall read as follows:

"Section 3.12. Deposit of Proceeds of Bonds. The proceeds of any bonds issued by Party B shall be deposited and applied in accordance with the resolution or indenture providing for the issuance thereof."

(14) Add a new Section O, which shall read as follows:

"Section 3.13. Transfers of Power Charge Revenues and Bond Charge Revenues. The indenture providing for the issuance of any bonds or other indebtedness by Party B will provide for the application of Power Charge Revenues and Bond Charge Revenues in accordance with the document entitled "California Department of Water Resources Summary of Material Terms of Financing Documents (Submitted in connection with Section 7.10 of a proposed Rate Agreement between California Department of Water Resources and the California Public Utilities Commission)" under the captions "III. Flow of Funds – Power Charge Revenues; Bond Charge Revenues as modified and amended by the Amended and Restated Addendum to Summary of Material Terms of Financing Documents dated as of August 8, 2002, as further amended or supplemented, and according to Section 7.10 of the Rate Agreement as adopted by the California Public Utilities Commission in Decision No. 02-02-051."

(u) Conditions Precedent. The effectiveness of this Agreement (including the Products A, B, C Transaction) is subject to and conditioned upon:

- (1) delivery to Party A of a legal opinion from the General Counsel of the California Department of Water Resources in the form attached hereto as Exhibit A; and
- (2) delivery to Party A of a legal opinion from the Attorney General of the State of California in the form attached hereto as Exhibit B.

[THE BALANCE OF THIS PAGE INTENTIONALLY LEFT BLANK]

This Products A, B, C Master Agreement amends and supersedes that certain Master Power Purchase and Sale Agreement dated February 16, 2001 (the "Prior Agreement") by and between the Parties. As of the effective date of this Master Agreement, the Prior Agreement, together with any transaction thereunder, shall be of no force or effect.

IN WITNESS WHEREOF, the Parties have caused this Master Agreement to be duly executed as of the date first above written.

WILLIAMS ENERGY MARKETING &
TRADING COMPANY

CALIFORNIA DEPARTMENT OF WATER
RESOURCES separate and apart from its powers
and responsibilities with respect to the State Water
Resources Development System



By: _____
Name: William E. Hobbs
Title: President and CEO

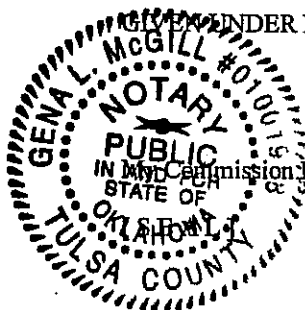
By: _____
Name: _____
Title: _____

DISCLAIMER: This Amended and Restated Master Power Purchase and Sale Agreement was prepared by a committee of representatives of Edison Electric Institute ("EEI") and National Energy Marketers Association ("NEM") member companies to facilitate orderly trading in and development of wholesale power markets. Neither EEI nor NEM nor any member company nor any of their agents, representatives or attorneys shall be responsible for its use, or any damages resulting therefrom. By providing this Agreement EEI and NEM do not offer legal advice and all users are urged to consult their own legal counsel to ensure that their commercial objectives will be achieved and their legal interests are adequately protected.

Acknowledgments

State of Oklahoma)
) SS
County of Tulsa)

BEFORE ME, the undersigned authority, a notary public, on this day personally appeared William E. Hobbs
President and CEO of Williams Energy Marketing & Trading Company, a Delaware corporation, known to me
that he executed this Amended and Restated Master Power Purchase And Sale Agreement Cover Sheet for the
purposes and consideration herein expressed, in the capacity therein set forth and as the act and deed of said
corporation.



GIVEN UNDER MY HAND AND SEAL of office, this the 11th day of November, 2002.

Genal L. McGill
Notary Public

My Commission Expires: Feb. 2, 2005

State of California)
) SS
County of _____)

BEFORE ME, the undersigned authority, a notary public, on this day personally appeared _____,
_____ of the California Department of Water Resources, a _____, known to
me that he executed this Amended and Restated Master Power Purchase And Sale Agreement Cover Sheet for the
purposes and consideration therein expressed, in the capacity therein set forth and as the act and deed of said
_____.

GIVEN UNDER MY HAND AND SEAL of office, this the _____ day of November, 2002.

Notary Public

My Commission Expires: _____

[SEAL]

This Products A, B, C Master Agreement amends and supersedes that certain Master Power Purchase and Sale Agreement dated February 16, 2001 (the "Prior Agreement") by and between the Parties. As of the effective date of this Master Agreement, the Prior Agreement, together with any transaction thereunder, shall be of no force or effect.

IN WITNESS WHEREOF, the Parties have caused this Master Agreement to be duly executed as of the date first above written.

WILLIAMS ENERGY MARKETING &
TRADING COMPANY

By: _____

Name: _____

Title: _____

CALIFORNIA DEPARTMENT OF WATER
RESOURCES separate and apart from its powers
and responsibilities with respect to the State Water
Resources Development System

By:  _____

Name: Peter B. GARRIS

Title: Deputy Director

DISCLAIMER: This Amended and Restated Master Power Purchase and Sale Agreement was prepared by a committee of representatives of Edison Electric Institute ("EEI") and National Energy Marketers Association ("NEM") member companies to facilitate orderly trading in and development of wholesale power markets. Neither EEI nor NEM nor any member company nor any of their agents, representatives or attorneys shall be responsible for its use, or any damages resulting therefrom. By providing this Agreement EEI and NEM do not offer legal advice and all users are urged to consult their own legal counsel to ensure that their commercial objectives will be achieved and their legal interests are adequately protected.

CALIFORNIA ALL-PURPOSE ACKNOWLEDGEMENT

STATE OF California

COUNTY OF Sacramento

ON 11/11/02
DATE

BEFORE ME, Kristy Chapman
NAME & TITLE OF OFFICER (EG. JANE DOE, NOTARY PUBLIC)

PERSONALLY APPEARED Peter S. Garri's

☐ PERSONALLY KNOWN TO ME

☒ PROVED TO ME ON THE BASIS OF SATISFACTORY EVIDENCE

TO BE THE PERSON(S) WHOSE NAME(S) IS/ARE SUBSCRIBED TO THE WITHIN INSTRUMENT AND ACKNOWLEDGED TO ME THAT HE/SHE/THEY EXECUTED THE SAME IN HIS/HER/THEIR AUTHORIZED CAPACITY(IES), AND THAT BY HIS/HER/THEIR SIGNATURE(S) ON THE INSTRUMENT THE PERSON(S), OR ENTITY UPON BEHALF OF WHICH THE PERSON(S) ACTED, EXECUTED THE INSTRUMENT.



WITNESS MY HAND AND OFFICIAL SEAL

Kristy Chapman
SIGNATURE OF NOTARY PUBLIC

*****OPTIONAL INFORMATION*****

THE INFORMATION BELOW IS NOT REQUIRED BY LAW, IT MAY PROVE TO BE IMPORTANT TO PERSONS RELYING ON THE DOCUMENT AND COULD PREVENT FRAUDULENT REMOVAL AND REATTACHMENT OF THIS FORM TO SOME OTHER DOCUMENT.

DESCRIPTION OF ATTACHED DOCUMENT

TITLE OR TYPE OF DOCUMENT: Agreement - Cover Sheet - Products A, B, C.
Amended and Restated Master Power Purchase and Sale

DOCUMENT DATE: 11/11/02 NUMBER OF PAGES: —

SIGNER(S) OTHER THAN NAMED ABOVE: —

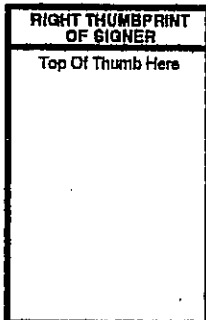
CAPACITY(IES) CLAIMED BY SIGNER(S)

SIGNER'S NAME: Peter S. Garri's

☒ INDIVIDUAL
☐ CORPORATE OFFICER
TITLE(S): —
☐ PARTNER
LIMITED ☐ GENERAL
☐ ATTORNEY-IN-FACT
☐ TRUSTEE
☐ GUARDIAN OR CONSERVATOR
☒ OTHER: —

SIGNER IS REPRESENTING:

CDWR



SIGNER'S NAME: —

☐ INDIVIDUAL
☐ CORPORATE OFFICER
TITLE(S): —
☐ PARTNER
LIMITED ☐ GENERAL
☐ ATTORNEY-IN-FACT
☐ TRUSTEE
☐ GUARDIAN OR CONSERVATOR
☐ OTHER: —

SIGNER IS REPRESENTING:

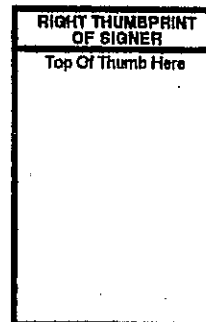


EXHIBIT A

**LEGAL OPINION OF GENERAL COUNSEL OF THE
CALIFORNIA DEPARTMENT OF WATER RESOURCES**

DEPARTMENT OF WATER RESOURCES

1416 NINTH STREET, P.O. BOX 942836
SACRAMENTO, CA 94236-0001
(916) 653-5791

November 11, 2002



Williams Energy Marketing & Trading Company
One Williams Center
Tulsa, OK 74172

Attn: Contract Administration

Ladies and Gentlemen:

Re: Amended and Restated Master Power Purchase and Sale Agreements between Williams Energy Marketing & Trading Company and the California Department of Water Resources separate and apart from its powers and responsibilities with respect to the State Water Resources Development System

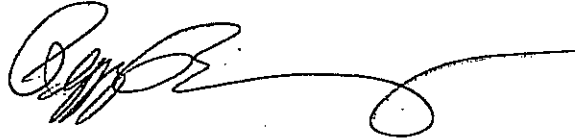
I have examined the Product A, B, and C Master Power Purchase and Sale Agreement between Williams Energy Marketing & Trading Company (the "Company") and the California Department of Water Resources separate and apart from its powers and responsibilities with respect to the State Water Resources Development System ("California Energy Resource Scheduler" or "CDWR-CERS"), dated November 11, 2002, together with the cover sheet and related confirmation and the Product D Master Power Purchase and Sale Agreement between the Company and "CDWR-CERS," dated November 11, 2002, together with the cover sheet and related confirmation (collectively, the "Master Agreements") and such other documents and information as I have deemed necessary to render this opinion.

1. CDWR-CERS has the requisite power and authority to execute and deliver the Master Agreements and to perform its obligations under the Master Agreements.
2. The Master Agreements have been duly authorized, executed, and delivered by CDWR-CERS and constitute valid and binding obligations of CDWR-CERS enforceable in accordance with their terms except as enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium, or other laws affecting the enforcement of creditors' rights generally or by general principles of equity, including the possible unavailability of specific performance or injunctive relief, regardless of whether such enforceability is considered in proceeding in equity or at law, or by principles of public policy.
3. Neither the execution and delivery of the Master Agreements by CDWR-CERS nor the performance of the transactions contemplated therein by

CDWR-CERS will (a) result in the violation by CDWR-CERS of any provision of the California Constitution or any statute, rule or regulation (b) result in a default by CDWR-CERS under, or any breach by CDWR-CERS of, any indenture, mortgage, deed of trust, loan agreement or other evidence of indebtedness, agreement or instrument to which CDWR-CERS is a party or by which CDWR-CERS is bound or (c) result in the violation by CDWR-CERS of any judgment, order, writ, injunction or decree of any court or governmental agency or body binding upon CDWR-CERS or any of its properties.

4. No consent, approval, authorization or order of, or registration or qualification with, any governmental agency or body is required of CDWR-CERS in connection with the execution and delivery or the performance of the Master Agreements or the transactions contemplated therein.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Peggy Bernardy', with a long, sweeping horizontal line extending to the right.

Peggy Bernardy
Chief Counsel
California Department of Water Resources

EXHIBIT B

**LEGAL OPINION OF ATTORNEY GENERAL
OF STATE OF CALIFORNIA**



1300 I STREET, SUITE 125
P.O. BOX 944255
SACRAMENTO, CA 94244-2550

Public: (916) 445-9555

November 11, 2002

Williams Energy Marketing & Trading Company
One Williams Center
Tulsa, Oklahoma 74172

RE: Master Power Purchase and Sale Agreements between Williams Energy Marketing & Trading Company and the California Department of Water Resources separate and apart from its Powers and Responsibilities with respect to the State Water Resources Development System

We have examined the Amended and Restated Master Power Purchase and Sale Agreements (Version 2.1; modified 4/25/00) for both Product A, B, C and Product D between Williams Energy Marketing and Trading Company and the California Department of Water Resources separate and apart from its Powers and Responsibilities with respect to the State Water Resources Development System ("CDWR"), made as of November 8, 2002, together with the cover sheets made as of the same date and the related amended and restated confirmations dated November 8, 2002 (collectively, the "Master Agreements"), and are of the following opinions:

1. CDWR is a department of the State of California, duly established and validly existing under the laws of the State of California, and has the requisite power and authority to execute and deliver the Master Agreements and to perform its obligations under the Master Agreements.
2. The Master Agreements have been duly authorized, executed, and delivered by CDWR and constitutes a valid and binding obligation of CDWR enforceable in accordance with its terms except as enforceability thereof may be limited by general principles of equity, including the possible unavailability of specific performance or injunctive relief, regardless of whether such enforceability is considered in a proceeding in equity or at law; bankruptcy, insolvency, reorganization, fraudulent conveyance, arrangement, moratorium and other laws relating to or affecting creditors' rights; the exercise of judicial discretion in appropriate cases; and generally applicable limitations on legal remedies against the State of California including those referenced in California Code of

Civil Procedure sections 695.040, 695.050 and 712.070 and California Government Code sections 900 through 985 and arising from the Eleventh Amendment of the United States Constitution.

3. Neither the execution and delivery of the Master Agreements by CDWR nor the performance by CDWR of the transactions contemplated therein will result in the violation by CDWR of any provision of the California Constitution or any statute, rule or regulation.
4. No consent, approval, authorization or order of, or registration or qualification with, any governmental agency or body is required of CDWR in connection with the execution and delivery or the future performance of the Master Agreements or the transactions contemplated therein; provided, however, that no opinion is given as to any consent, approval, authorization or order of, or registration or qualification with any government agency or body that regulates the power purchase or sale activities of entities that purchase electric power for resale or make retail sales of electric power, that is generally applicable to entities that purchase electric power for resale or make retail sales of electric power, that relates to CDWR's performance of the Master Agreements or the transactions contemplated therein.
5. Section 80260 of the California Water Code will not affect the power of CDWR to make payments required by the Master Agreements after December 31, 2001.

The opinions and conclusions expressed above are based on an analysis of existing laws, regulations, rulings and court decisions and may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof and we disclaim any obligation to update this letter.

The opinions and conclusions expressed above do not constitute a determination by this office as to the "just and reasonableness" of the terms Master Agreements pursuant to Water Code section 80110.

This letter is delivered to you solely for your benefit, and is not to be used, circulated, quoted or otherwise referred to or relied upon for any other purpose or by any other person. By acceptance of this letter you recognize and acknowledge that no attorney-client relationship has

WEMTC

November 11, 2002

Page 3

existed between this Office and you in connection with the Master Agreements or by virtue of this letter. This opinion is limited to the laws of the State of California.

Sincerely,

A handwritten signature in black ink, appearing to read "Ken Alex". The signature is fluid and cursive, with the first name "Ken" and last name "Alex" clearly distinguishable.

KEN ALEX

Supervising Deputy Attorney General

For BILL LOCKYER
Attorney General

**MASTER POWER PURCHASE AND SALE AGREEMENT
AMENDED AND RESTATED CONFIRMATION LETTER**

Products A, B, C Transaction

This amended and restated confirmation letter shall confirm the Transaction agreed to on November 11, 2002 between WILLIAMS ENERGY MARKETING & TRADING COMPANY ("Party A") and CALIFORNIA DEPARTMENT OF WATER RESOURCES separate and apart from its powers and responsibilities with respect to the State Water Resources Development System ("Party B") regarding the sale/purchase of the Product under the terms and conditions as follows:

Seller: Party A

Buyer: Party B

Product:

☐ Into _____, Seller's Daily Choice

☐ Firm (LD)

☐ Firm (No Force Majeure)

☐ System Firm
(Specify System: _____)

☐ Unit Firm
(Specify Unit(s): _____)

☒ Other

Product A: Firm (LD) 7x24 (hour ending 0100 through the hour ending 2400, Monday through Sunday).

Product B: Firm (LD) 6x16 (hour ending 0700 through the hour ending 2200, Monday through Saturday (except for official NERC holidays)).

Product C: Firm (LD) 6x16 (hour ending 0700 through the hour ending 2200, Monday through Saturday (except for official NERC holidays)).

☐ Transmission Contingency (If not marked, no transmission contingency)

<input type="checkbox"/> FT-Contract Path Contingency	<input type="checkbox"/> Seller	<input type="checkbox"/> Buyer
<input type="checkbox"/> FT-Delivery Point Contingency	<input type="checkbox"/> Seller	<input type="checkbox"/> Buyer

☐ Transmission Contingent ☐ Seller ☐ Buyer
☒ Other transmission contingency

(Specify: Buyer shall be responsible for transmission contingencies at and after the Delivery Point and Seller shall be responsible for transmission contingencies prior to the Delivery Point.)

Contract Quantity:

Product A:	Start Date – June 30, 2003:	40 MW
	July 1, 2003 – Dec. 31, 2007:	200 MW
Product B:	Start Date – Jun. 30, 2003:	175 MW
	July 1, 2003 – Dec. 31, 2007:	450 MW
	Jan. 1, 2008 – Dec. 31, 2010:	275 MW
Product C:	July 1, 2003 – Dec. 31, 2010:	50 MW

Delivery Point: Product A, B and C: SP 15

Energy Price:	Product A:		\$62.50 per MWh
	Product B:	2003-2005	\$87.00 per MWh
		2006	\$78.07 per MWh
		2007	\$77.07 per MWh
		2008	\$76.07 per MWh
		2009	\$75.07 per MWh
		2010	\$74.07 per MWh
	Product C:		\$70.00 per MWh

Delivery Period: Product A: Start Date – Dec. 31, 2007
Product B: Start Date – Dec. 31, 2010
Product C: July 1, 2003 – Dec. 31, 2010

Special Conditions:

(1) "Start Date" means January 1, 2003.

(2) Material Modification or Elimination of Delivery Point. In the event that the California Independent System Operator ("CAISO") or its successor eliminates or materially modifies the characteristics of the

Delivery Point such that either Seller or Buyer is adversely affected thereby, Seller shall, upon such elimination or modification, deliver the Product to a delivery point reasonably determined by it to approximate the location and characteristics of the Delivery Point on the date of the execution of this Confirmation Letter ("Modified Delivery Point"). If Seller reasonably determines that no Modified Delivery Point exists, the parties shall negotiate a mutually agreeable replacement delivery point ("Replacement Delivery Point") for such delivery. Once Seller or Buyer determines that the Delivery Point will be modified or eliminated such that it will be adversely affected thereby, it will notify the other party as soon as practicable.

(3) The Product B Energy Price shall be subject to adjustment as provided in that certain Settlement Agreement, among the parties hereto in addition to other parties, dated November 11, 2002.

Scheduling: _____

Option Buyer: N/A _____

Option Seller: N/A _____

Type of Option: _____

Strike Price: _____

Premium: _____

Exercise Period: _____

This amended and restated confirmation letter is being provided pursuant to and in accordance with the Amended and Restated Master Power Purchase and Sale Agreement dated November 11, 2002 (the "Products A, B, C Master Agreement") between Party A and Party B, and constitutes part of and is subject to the terms and provisions of such Products A, B, C Master Agreement. This amended and restated confirmation letter supersedes the amended and restated confirmation dated February 21, 2001. Terms used but not defined herein shall have the meanings ascribed to them in the Products A, B, C Master Agreement.

WILLIAMS ENERGY MARKETING &
TRADING COMPANY

CALIFORNIA DEPARTMENT OF
WATER RESOURCES separate and apart
from its powers and responsibilities with respect to
the State Water Resources Development System

Name:  _____

Name: _____

Title: William E. Hobbs, President and CEO Title: _____

Phone No: 918/573-4608

Phone No: _____

Fax: 918/573-1717

Fax: _____

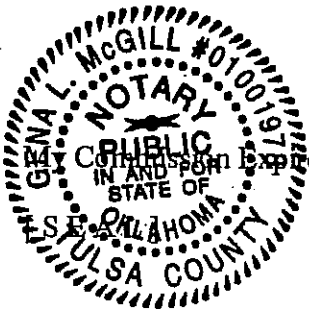


Acknowledgments

State of Oklahoma)
) SS
County of Tulsa)

BEFORE ME, the undersigned authority, a notary public, on this day personally appeared William E. Hobbs, President and CEO of Williams Energy Marketing & Trading Company, a Delaware corporation, known to me that he executed this Master Power Purchase And Sale Agreement Amended And Restated Confirmation Letter for the purposes and consideration herein expressed, in the capacity therein set forth and as the act and deed of said corporation.

GIVEN UNDER MY HAND AND SEAL of office, this the 11th day of November, 2002.



Rena L. McGill
Notary Public

My Commission Expires: Feb. 2, 2005

State of California)
) SS
County of _____)

BEFORE ME, the undersigned authority, a notary public, on this day personally appeared _____, _____ of the California Department of Water Resources, a _____, known to me that he executed this Master Power Purchase And Sale Agreement Amended And Restated Confirmation Letter for the purposes and consideration therein expressed, in the capacity therein set forth and as the act and deed of said _____.

GIVEN UNDER MY HAND AND SEAL of office, this the _____ day of November, 2002.

Notary Public

My Commission Expires: _____

[SEAL]

This amended and restated confirmation letter is being provided pursuant to and in accordance with the Amended and Restated Master Power Purchase and Sale Agreement dated November 11, 2002 (the "Products A, B, C Master Agreement") between Party A and Party B, and constitutes part of and is subject to the terms and provisions of such Products A, B, C Master Agreement. This amended and restated confirmation letter supersedes the amended and restated confirmation dated February 21, 2001. Terms used but not defined herein shall have the meanings ascribed to them in the Products A, B, C Master Agreement.

WILLIAMS ENERGY MARKETING &
TRADING COMPANY

CALIFORNIA DEPARTMENT OF
WATER RESOURCES separate and apart
from its powers and responsibilities with respect to
the State Water Resources Development System

Name: _____

Title: _____

Phone No: _____

Fax: _____

Name: Robert S. Giani

Title: Deputy Director

Phone No: 916 574 2733

Fax: 916 574 2512

CALIFORNIA ALL-PURPOSE ACKNOWLEDGEMENT

STATE OF California

COUNTY OF Sacramento

ON 11/11/02
DATE

BEFORE ME,

Kristy Chapman
NAME & TITLE OF OFFICER (EG. JANE DOE, NOTARY PUBLIC)

PERSONALLY APPEARED

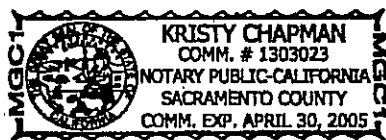
Peter S. Gamis

☐ PERSONALLY KNOWN TO ME

☒

PROVED TO ME ON THE BASIS OF SATISFACTORY EVIDENCE

TO BE THE PERSON(S) WHOSE NAME(S) IS/ARE SUBSCRIBED TO THE WITHIN INSTRUMENT AND ACKNOWLEDGED TO ME THAT HE/SHE/THEY EXECUTED THE SAME IN HIS/HER/THEIR AUTHORIZED CAPACITY(IES), AND THAT BY HIS/HER/THEIR SIGNATURE(S) ON THE INSTRUMENT THE PERSON(S), OR ENTITY UPON BEHALF OF WHICH THE PERSON(S) ACTED, EXECUTED THE INSTRUMENT.



WITNESS MY HAND AND OFFICIAL SEAL

Kristy Chapman
SIGNATURE OF NOTARY PUBLIC

*****OPTIONAL INFORMATION*****

THE INFORMATION BELOW IS NOT REQUIRED BY LAW, IT MAY PROVE TO BE IMPORTANT TO PERSONS RELYING ON THE DOCUMENT AND COULD PREVENT FRAUDULENT REMOVAL AND REATTACHMENT OF THIS FORM TO SOME OTHER DOCUMENT.

DESCRIPTION OF ATTACHED DOCUMENT

TITLE OR TYPE OF

DOCUMENT: Master Purchase and Sale Agreement Amended and Restated Confirmation Letter

DOCUMENT DATE: 11/11/02

Product A, B, C

NUMBER OF PAGES: —

SIGNER(S) OTHER THAN NAMED ABOVE: —

CAPACITY(IES) CLAIMED BY SIGNER(S)

SIGNER'S NAME: Peter S. Gamis

☒ INDIVIDUAL
☐ CORPORATE OFFICER
TITLE(S):
☐ PARTNER
____ LIMITED ____ GENERAL
☐ ATTORNEY-IN-FACT
☐ TRUSTEE
☐ GUARDIAN OR CONSERVATOR
☒ OTHER: _____

SIGNER IS REPRESENTING:

CDWR

RIGHT THUMBPRINT
OF SIGNER

Top Of Thumb Here

SIGNER'S NAME: _____

☐ INDIVIDUAL
☐ CORPORATE OFFICER
TITLE(S):
☐ PARTNER
____ LIMITED ____ GENERAL
☐ ATTORNEY-IN-FACT
☐ TRUSTEE
☐ GUARDIAN OR CONSERVATOR
☐ OTHER: _____

SIGNER IS REPRESENTING:

RIGHT THUMBPRINT
OF SIGNER

Top Of Thumb Here

AMENDED AND RESTATED MASTER POWER PURCHASE AND SALE AGREEMENT

COVER SHEET

PRODUCT D

This *Amended and Restated Master Power Purchase and Sale Agreement* (Version 2.1; modified 4/25/00) ("*Product D Master Agreement*") is made as of the following date: November 11, 2002 ("Effective Date"). The *Product D Master Agreement*, together with the exhibits, schedules and any written supplements hereto, the Party A Tariff, if any, the Party B Tariff, if any, any designated collateral, credit support or margin agreement or similar arrangement between the Parties and all Transactions (including any confirmations accepted in accordance with Section 2.3 hereto) shall be referred to as the "Agreement." The Parties to this *Product D Master Agreement* are the following:

Name: **Williams Energy Marketing & Trading Company** ("Williams" or "Party A")

Name: **State of California Department of Water Resources** separate and apart from its powers and responsibilities with respect to the State Water Resources Development System ("California Department of Water Resources" or "Department" or "Party B")

All Notices:

All Notices: California Department of Water Resources/CERS

Street: One Williams Center

Street: 3310 El Camino Avenue, Suite 120

City: Tulsa, OK Zip: 74172

City: Sacramento, California Zip: 95821

Attn: Contract Administration

Attn: Executive Manager Power Systems

Phone: 918-573-4188

Phone: (916) 574-0339

Facsimile: 918-732-0269

Facsimile: (916) 574-2152

Duns: [REDACTED]

Duns:

Federal Tax ID Number: [REDACTED]

Federal Tax ID Number: [REDACTED]

Invoices:

Invoices: DWR/CERS Settlements Unit

Attn: Power Accounting

Attn: Doreen Singh

Phone: 918-573-8337

Phone: (916) 574-0309

Facsimile: 918-561-6893

Facsimile: (916) 574-1239

Scheduling:

Scheduling:

Attn: Cherry Smith

Attn: Chief Water and Power Dispatcher

Phone: 918-573-4835

Phone: (916) 574-0161

Facsimile: 918-573-1534

Facsimile: (916) 574-2569

Payments:

Payments:

Attn: Power Accounting

Attn: Cash Receipts Section

Phone: 918-573-8337

Phone: (916) 653-6892

Facsimile: 918-561-6893

Facsimile: (916) 654-9882

☐ Option A
☐ Option B Specify: _____
☒ Option C Specify: (1) Annual audit, annual budget and all financial information sent to any seller under a power purchase agreement; Party B shall use reasonable commercial efforts to periodically prepare and make available to all sellers under power sales agreements, but not more frequently than quarterly, financial information reasonably intended to apprise all such sellers of the financial conditions of the Fund.) (2) Under any Replacement Agreement (defined below), or if Party B is an entity other than the California Department of Water Resources, financial statements, audited if available, no less frequently than quarterly. Notwithstanding anything in this Agreement to the contrary, any non-public financial statements provided pursuant to this section shall be kept confidential.

(b) Credit Assurances:

☒ Not Applicable
☐ Applicable

(c) Collateral Threshold:

☒ Not Applicable
☐

If applicable, complete the following:

Party B Collateral Threshold: ; provided, however, that Party B's Collateral Threshold shall be zero if an Event of Default or Potential Event of Default with respect to Party B has occurred and is continuing.

Party B Independent Amount: [\$_____]

Party B Rounding Amount: [\$_____]

(d) Downgrade Event:

☒ Not Applicable
☐ Applicable

If applicable, complete the following:

☐ It shall be a Downgrade Event for Party B if Party B's Credit Rating falls below [_____] from S&P or _____ from Moody's or if Party B is not rated by either S&P or Moody's

☐ Other:
Specify: _____

(e) Guarantor for Party B: _____

Guarantee Amount: _____

8.2 Party B Credit Protection:

(a) Financial Information:

☐ Option A
☐ Option B Specify: _____
☒ Option C Specify: Party A to provide annual 10k filings of its parent and financial statements of Party A, audited if available, together with an officer's certificate relating to same, no less frequently than quarterly. Notwithstanding anything in this Agreement to the contrary, non-public financial statements provided pursuant to this Section shall be kept confidential.

(b) Credit Assurances:

☒ Not Applicable
☐ Applicable

(c) Collateral Threshold:

☒ Not Applicable
☐

If applicable, complete the following:

Party A Collateral Threshold: ; provided, however, that Party A's Collateral Threshold shall be zero if an Event of Default or Potential Event of Default with respect to Party A has occurred and is continuing.

Party A Independent Amount: \$ _____

Party A Rounding Amount: \$ _____

(d) Downgrade Event

☒ Not Applicable
☐ Applicable

If applicable, complete the following:

☐ It shall be a Downgrade Event for Party A if Party A's Credit Rating falls below _____ from S&P or _____ from Moody's or if Party A is not rated by either S&P or Moody's

☐

Other:

(e) Guarantor for Party A: _____

Article 10

Confidentiality

☐ Confidentiality Applicable

If not checked, inapplicable.

Schedule M

☐ Party A is a Governmental Entity or Public Power System
☒ Party B is a Governmental Entity or Public Power System
☐ Add Section 3.6. If not checked, inapplicable
☐ Add Section 8.4. If not checked, inapplicable

Other Changes

Specify, if any: _____

(a) Definitions.

- (1) Section 1.11 is amended by adding the following sentence at the end of the current definition: "The Non-defaulting Party shall use commercially reasonable efforts to mitigate or eliminate these Costs."
- (2) Section 1.23 is replaced in its entirety by the following:

1.23 "Force Majeure" means any cause beyond the control of the Party affected, including but not restricted to failure of or threat of failure of facilities, flood, drought, earthquake, storm, lightning, fire, epidemic, war, riot, civil disturbance or disobedience, labor dispute, labor or material shortage, sabotage, restraint by court order or public authority and action or nonaction by or failure to obtain the necessary authorizations or approvals from any governmental agency or authority which by exercise of due diligence such Party could not reasonably have been expected to avoid, and which, by the exercise of due diligence, it has been unable to overcome.
- (3) Section 1.51, "Replacement Price" is amended on the fifth line by deleting the phrase "at Buyer's option" and inserting the following phrase: "absent a purchase."
- (4) Section 1.53, "Sales Price" is amended on the fifth line of by deleting the phrase "at Seller's option" and inserting the following phrase: "absent a sale."
- (5) Sections 1.6, 1.24, 1.28, 1.33, 1.34, 1.35, 1.36, 1.43, 1.44, 1.46, 1.48 and 1.56 are amended by deleting the text in each of such sections and substituting therefor "[Intentionally omitted.]"
- (6) Section 1.59 is amended by changing "Section 5.3" to "Section 5.2."
- (7) Sections 1.62 through 1.76 are added to Article One as follows:
 - 1.62 "AES Agreement" means that certain Capacity Sale and Tolling Agreement dated May 1, 1998, as amended May 15, 1998, by and among the AES Subsidiaries and Williams Energy Marketing & Trading Company (f/k/a Williams Energy Services Company) and their respective successors and assigns and any amendments or modifications thereto.
 - 1.63 "AES Agreement Default" means the occurrence of an Event of Default described in Section 18.1 of the AES Agreement that materially and adversely affects Party B's rights under the Product D Transaction or, if a cure period is provided for in Section 18.2(a) of the AES Agreement, the occurrence of such an Event of Default and the failure of a Defaulting Party (as defined in the AES Agreement) to cure such default within the applicable cure period.
 - 1.64 "AES Subsidiaries" means any one or more of AES Alamitos, L.L.C., a limited liability company organized and existing under the laws of the State of Delaware, AES Huntington Beach, L.L.C., a limited liability company organized and existing under the laws of the State of Delaware, and AES Redondo Beach, L.L.C., a limited liability company organized and existing under the laws of the State of Delaware.
 - 1.65 "Bonds" means the bonds offered by the Department of Water Resources pursuant to AB 1X, codified at California Water Code Section 80100 et seq (the "Act") with recourse only to the Trust Estate, and shall include any financing pursuant to Executive Order D-42-01 and a Credit and Security Agreement, dated as of June 26, 2001, by and among the Department of Water Resources, various lenders and Morgan Guaranty Trust Company of New York, as agent on behalf of such lenders.

- 1.66 "Fund" means the Department of Water Resources Electric Power Fund established by Section 80200 of the Water Code.
- 1.67 "Market Quotation Average Price" means the average of the good faith quotations solicited from not less than three (3) Reference Market-makers; provided, however, that the Party soliciting such quotations shall use commercially reasonable efforts to obtain good faith quotations from at least five (5) Reference Market-makers and, if at least five (5) such quotations are obtained, the Market Quotation Average Price shall be determined disregarding the highest and lowest quotations.
- 1.68 "Market Value" has the meaning set forth in Section 5.3.
- 1.69 "Per Unit Market Price" means the applicable price per kW-month determined in accordance with Section 5.3.
- 1.70 "Product D Transaction" means the Transaction described in the attached Confirmation dated November 11, 2002.
- 1.71 "Qualified Electric Corporation" means an electrical corporation as defined by the Act, whose long-term unsecured senior debt on the effective date of any Replacement Agreement is rated BBB or better by S&P and Baa2 or better by Moody's and is not on negative outlook or Credit Watch from either rating agency; provided that with the exception of San Diego Gas and Electric Company, Southern California Edison Company and Pacific gas and Electric Company, no electrical corporation shall be a Qualified Electrical Corporation without the prior written agreement of Party A.
- 1.72 "Qualified Power Seller" means any entity (a) engaged in the selling of electricity whose long-term unsecured senior debt on the effective date of any Assignment and Assumption Agreement is rated BBB or better by Standard & Poor's and Baa2 or better by Moody's and is not on negative outlook or Credit Watch from either rating agency, and (b) approved by Party B, such approval not to be unreasonably withheld.
- 1.73 "Reference Market-maker" means any marketer, trader or seller of or dealer in firm energy products whose long-term unsecured senior debt is rated BBB- or better by Standard & Poor's and Baa3 or better by Moody's Investor Services.
- 1.74 "Replacement Agreement" means any agreement identical to this Agreement and the Product D Transaction between Party A and a Qualified Electrical Corporation, excluding provisions relating to Party B's status as a governmental agency or to the original start date(s) of the Agreement (including the Product D Transaction), and together with such changes as Party A and such Qualified Electrical Corporation may agree.
- 1.75 "Replacement Contract" means a contract having a term, quantity, delivery rate, delivery point and product substantially similar to the remaining Term, quantity, delivery rate, Delivery Point and Product to be provided under this Agreement.
- 1.76 "Trust Estate" means all revenues received by Party B under any obligation entered into, and rights to receive the same, and moneys on deposit in the Fund and income or revenue derived from the investment thereof.

(b) **Transactions.** The Transaction shall be in writing and this Agreement may not be amended or modified except in writing signed by the Parties' respective duly authorized representatives. For purposes of this requirement, a Recording pursuant to Section 2.5 shall not constitute a writing.

(c) **Governing Terms.** Section 2.2 is amended by adding the following sentence at the end of the current section:

"Notwithstanding the foregoing, the Product D Transaction shall be treated as a stand-alone Transaction and accordingly, (a) provisions in the Product D Master Agreement referring to offsetting or netting multiple Transactions shall not be applicable to the Product D Transaction, and (b) an Event of Default or Potential Event of Default with respect to any Transaction other than the Product D Transaction shall not

affect the Product D Transaction. No provision of any other Confirmation entered into pursuant to Section 2.4 shall affect the Product D Transaction."

(d) **Confirmation.** Section 2.3, Confirmation, the term "Seller" (and cognates) is deleted and is replaced with "Party A" in each place where it occurs; and the term "Buyer" (and cognates) is deleted and is replaced with "Party B" in each place where it occurs. And insert the words "or other electronic transmission," after the word "facsimile."

(e) **Recording.** Section 2.5, Recording, the phrase "of all telephone conversations between the Parties to this Product D Master Agreement" is deleted and replaced with the phrase "of all telephone conversations between the energy scheduling and/or trading personnel of the Parties to this Product D Master Agreement related to scheduling of energy to be delivered pursuant to this Agreement."

(f) **Transmission and Scheduling.** Section 3.2 is amended by renaming it "Transmission, Scheduling and Imbalance Charges" and inserting the following sentences at the end thereof:

"In addition to the remedies provided under Article 4, Buyer shall assume all liability for and reimburse Seller within thirty (30) days of presentation of an invoice for any Penalties incurred as a result of Buyer's failure to (i) notify Seller of a failure to Schedule or a change in a Schedule or (ii) comply with the Transmission Provider's tariff and scheduling policies. Seller shall assume all liability for and reimburse Buyer within thirty (30) days of presentation of an invoice for any Penalties incurred as a result of Seller's failure to (i) notify Buyer of a failure to Schedule or a change in a Schedule or (ii) comply with the Transmission Provider's tariff and scheduling policies. The Parties shall notify each other as soon as possible of any imbalance that is occurring or has occurred and shall cooperate to eliminate imbalances and minimize Penalties. Penalties shall be defined as any fees, liabilities, assessments or similar charges assessed by a Transmission Provider."

(g) **Force Majeure.** Section 3.3 is replaced in its entirety as follows:

Force Majeure. (a) No Party shall be considered to be in default in performance of any of its obligations under this Agreement, except to make payment as specified herein, to the extent such failure in performance shall be due to a Force Majeure. No Party shall, however, be relieved of liability for failure of performance to the extent such failure shall be due to causes arising out of its own negligence or due to removable or remediable causes which it fails to remove or remedy within a reasonable time period. Any Party rendered unable to fulfill any of its obligations under the Agreement by reason of a Force Majeure shall give prompt notice of such fact to the other Party and shall exercise due diligence to remove such inability within a reasonable time period.

(b) Notwithstanding anything to the contrary contained in this Agreement, except as may expressly be provided herein, the term Force Majeure shall not include or excuse the loss by Party A or its Affiliates of FERC-approved marketer status (if any), unless such loss is itself caused by a Force Majeure.

(c) Notwithstanding anything to the contrary in this Agreement, failure to achieve the Guaranteed Availability of any Unit or to deliver the Dependable Capacity, Net Electric Energy or Ancillary Services, as the case may be, from a Designated Unit shall not be excused due to a Force Majeure.

(d) Notwithstanding anything contained in this Article Three to the contrary, neither Party shall be required to settle any strike, walkout, lockout or other labor dispute on terms which, in the sole judgment of the Party involved in the dispute, are contrary to its interest, it being understood and agreed that the settlement of strikes, walkouts, lockouts or other labor disputes shall be entirely within the discretion of the Party having such dispute.

(h) **Events of Default.** Section 5.1 is replaced in its entirety by the following:

"(c) the failure to perform any material covenant or obligation set forth in this Agreement (except to the extent constituting a separate Event of Default and other than the failure of a Designated Unit to Dispatch in accordance with Article VIII of the AES Agreement or the failure to achieve Guaranteed Availability

pursuant to Section 4.2 of the AES Agreement, if the Non-Defaulting Party is able to recover fully all amounts due it pursuant to Section 8(a) or (b) as a result of either such failure through the exercise of its right of or reduction of capacity payments provided for in Section 8(a) and its right of set off provided for in Section 8(b), in which case, notwithstanding any provision of this Article V, such right of capacity payment reduction and set-off shall be the Non-Defaulting Party's exclusive remedy; provided, however, nothing herein shall affect Party B's rights under Section 5.8 hereof if such failure is not remedied within thirty (30) Business Days after written notice;"

(2) Add a new subsection (i) as follows:

(i) for Party B, any amendment or repeal of the Water Code subsequent to the date hereof, that adversely affects the ability of Party B to perform its obligations under this Agreement or otherwise adversely affects the rights of Party A hereunder, in which event Party B shall be the Defaulting Party.

(3) Add a new subsection (j) as follows:

(j) With respect to Party A, the occurrence of an AES Agreement Default. Party A shall give Party B written notice of any AES Agreement Default one Business Day following the occurrence thereof.

(i) Declaration of an Early Termination Date and Calculation of Termination Payment.

(1) The last sentence of Section 5.2 is replaced in its entirety by the following: "Upon termination of this Agreement as the result of an Event of Default, the Non-Defaulting Party shall be entitled to a payment (the "Termination Payment") which shall be the aggregate of the Market Value and Costs calculated as of the Early Termination Date in accordance with Section 5.3. As soon as practicable after the Early Termination Date, the Non-Defaulting Party shall give notice to the Defaulting Party of the amount of the Termination Payment, if any, due to the Non-Defaulting Party. The notice shall include a written statement explaining in reasonable detail the calculation of such amount. Termination Payment to be made no later than one hundred eighty (180) days after receipt of written notice of an Early Termination Date."

(2) The following shall be added to the end of Section 5.2 (as amended by clause (1) immediately above): "Notwithstanding the other provisions of this Agreement, if the Non-Defaulting Party has the right to liquidate or terminate all obligations arising under the Agreement under the provisions of this Article 5 because the Defaulting Party or its Guarantor either (a) is the subject of a bankruptcy, insolvency, or similar proceeding, or (b) applies for, seeks, consents to, or acquiesces in the appointment of a receiver, custodian, trustee, liquidator, or similar official for all or a substantial portion of its assets, then this Agreement and the Transaction shall automatically terminate, without notice, as if the Early Termination Date was the day immediately preceding the events listed in Section 5.1."

(3) Section 5.3 is replaced in its entirety by the following:

"5.3. Termination Payment Calculations. The Non-Defaulting Party shall calculate the Termination Payment as follows:

(a) Market Value shall be (i) in the case Party B is the Non-Defaulting Party, the present value of the positive difference, if any, of (A) payments under a Replacement Contract based on the Per Unit Market Price, and (B) payments under this Agreement, or (ii) in the case Party A is the Non-Defaulting Party, the present value of the positive difference, if any, of (A) payments under this Agreement, and (B) payments under a Replacement Contract based on the Per Unit Market Price, in each case using the Present Value Rate as of the time of termination (to take account of the period between the time notice of termination was effective and when such amount would have otherwise been due pursuant to the relevant transaction). The "Present Value Rate" shall mean the sum of 0.50% plus the yield reported on page "USD" of the Bloomberg Financial Markets Services Screen (or, if not available, any other nationally recognized trading screen reporting on-line intraday trading in United States government securities) at 11:00 a.m. (New York City, New York time) for the United States government securities having a maturity that matches the average remaining term of this Agreement. It is expressly agreed

that the Non-Defaulting Party shall not be required to enter into a Replacement Contract in order to determine the Termination Payment.

- (b) To ascertain the Per Unit Market Price of a Replacement Contract with a term of less than one year, the Non-Defaulting Party may consider, among other valuations, quotations from leading dealers in energy contracts, the settlement prices on established, actively traded power exchanges, other bona fide third party offers and other commercially reasonable market information.
- (c) To ascertain the Per Unit Market Price of a Replacement Contract with a term of one year or more, the Non-Defaulting Party shall use the Market Quotation Average Price; provided, however, that if there is not an actively traded market for such Replacement Contract or if the Non-Defaulting Party is unable to obtain reliable quotations from at least three (3) Reference Market-makers, the Non-Defaulting Party shall use the methodology set forth in paragraph (b).
- (d) In no event, however, shall a party's Market Value or Costs include any penalties, ratcheted demand charges or similar charges imposed by the Non-Defaulting Party.

If the Defaulting Party disagrees with the calculation of the Termination Payment and the parties cannot otherwise resolve their differences, the calculation issue shall be submitted to dispute resolution as provided in Section 10.12 of this Agreement. Pending resolution of the dispute, the Defaulting Party shall pay the full amount of the Termination Payment calculated by the Non-Defaulting Party no later than one hundred eighty (180) days after receipt of written notice of an Early Termination Date."

- (4) Section 5.4 is replaced in its entirety by the following:

(l) Notwithstanding any other provision of this Agreement, Party A and Party B acknowledge and agree that if an order for relief under Chapter 11 of the United States Bankruptcy Code (11 U.S.C. sec. 101 et seq.), as the same may be amended from time to time (the "Bankruptcy Code"), is entered against Party A at any time during the term of this Agreement, then, if this Agreement has not been terminated, adequate assurances of future performance will not be provided to Party B by Party A within the meaning of section 365(b)(1) of the Bankruptcy Code unless Party A affirmatively establishes the following:

- i. Party A demonstrates that it has the financial resources necessary to maintain the AES Agreement; and
- ii. Party A demonstrates that it has the required financial or other resources necessary to operate and perform under this Agreement.

Party A and Party B further acknowledge and agree that if an order for relief under Chapter 11 of the Bankruptcy Code is at any time entered against Party A during the term hereof, then Party A must be able to cure (a) all non-monetary defaults hereunder within one hundred eighty (180) days of the date on which Party A proposes to assume this Agreement; and (b) all monetary defaults hereunder within one (1) year of the date on which Party A proposes to assume this Agreement.

- (5) Sections 5.5, 6.7 and 6.8 are amended by deleting the text in each of such sections and substituting therefor "[Intentionally omitted.]"
- (6) Add a new Section 5.8 as follows:

"Notwithstanding anything to the contrary herein, any Force Majeure which interrupts Party A's performance of its obligations under this Agreement, with respect to a Designated Unit, for a continuous period of more than twelve (12) months shall be considered an event upon which Buyer may terminate this Agreement with respect to such Designated Unit. In the event of early termination under this Section 5.8, neither Party shall be liable to the other for the payment of damages related to such early termination.

(j) Timeliness of Payment. Add the following to Section 6.2 before the first sentence in that section: "Party A shall provide invoice data, disaggregated by transaction components, in a template format as may be reasonably specified by Party B."

(k) Limitations. Article Seven is amended as follows:

(1) Add a new Section 7.2, "The obligations hereunder of Party A shall be solely those of Party A and Guarantor, if any, and of no other person or entity."

(l) Grant of Security Interest/Remedies. In Section 8.3 the phrase "or deemed occurrence" is deleted from the beginning of the second sentence.

(m) Governmental Charges. Add the following to Section 9.2 after the second sentence in that section: "Party A shall be entitled to pass through to Party B any liability, loss, cost, damage and expense, including gross-up, arising out of a tax or other imposition enacted by the California state legislature after the date of this Agreement that is not of general applicability and is instead directed at the assets or activities involved in the generation, sale, purchase, ownership and/or transmission of electric power, natural gas and/or other utility or energy goods and services, but only insofar as such liability, loss, cost, damage or expense relates to a Transaction hereunder and reflects an increase in Party A's cost of service in connection therewith. Party B shall be entitled to the benefit or reduction of or credit with respect to any such tax or other imposition enacted by the California state legislature after the date of this Agreement, but only insofar as such benefit relates to a Transaction hereunder and results in a decrease in Party A's cost of service for such Transaction."

Should the United States or any agency thereof, including FERC, impose a tax or other imposition that is not of general applicability and is instead directed at the generation, sale, purchase, ownership and/or transmission of electric power, Gas and/or other utility or energy goods and services ("Regulatory Change") that adversely affects Party A's costs of providing Capacity or Energy (or any other product or service hereunder) and the aggregate adverse effect on Party A's cost (taking into account all such Regulatory Changes and all Designated Units) is in the aggregate at least \$2.5 million in any calendar year, then: (a) Party A shall provide notice to Party B of such occurrence together with a proposal to adjust the payments hereunder, and work papers that demonstrate that such adjustment is reasonably calculated to collect no more than the amount of such increased costs and shall request, by such notice, that Party B respond to such proposed adjustment within thirty (30) days; and (b) if after a period of seventy-five (75) days after delivery by Party A of the aforesaid notice, Party B and Party A have not reached agreement as to an adjustment to the amounts payable by Party B that is satisfactory to Party A, in its commercially reasonable discretion, Party A shall have the option to terminate the agreement upon ten (10) Business Days notice and neither Party shall have any further liability to the other, including with respect to a Termination Payment, other than such obligations as survive the termination of the Agreement with respect to obligations incurred prior to termination."

(n) Term of Product D Master Agreement. Add the following sentence to Section 10.1: "The Product D Transaction shall terminate on the day following the last day of the Delivery Period, unless terminated sooner pursuant to the express provisions of this Agreement or as a result of an Event of Default".

(o) Representations and Warranties.

- (1) the phrase "... and is qualified to conduct its business in each jurisdiction in which it will perform a Transaction" is added to the end of Section 10.2(i);
- (2) the phrase ", except as would not have a material and adverse effect on the other Party" is added to the end of Section 10.2(ii);
- (3) the phrase "or any of its Affiliates" is deleted from Section 10.2(vi);
- (4) the phrase ", and are reasonable in all respects, including rates and allocation of risk" is added to the end of Section 10.2(xii);

(5) clauses (ix) and (xi) of Section 10.2 are amended by deleting the text in each of such sections and substituting therefor "[Intentionally omitted.]", provided, that such clauses shall be included in any Replacement Agreement as defined herein.

(6) Add a new Section 10.2.1 as follows:

10.2.1 On the Effective Date and the date of entering into each Transaction, Party A represents and warrants to Party B that it has obtained from the AES Subsidiaries all consents necessary for the performance of its obligations under this Agreement.

(p) **Indemnity.** The phrase "To the extent permitted by law" is added at the beginning of the first two sentences of Section 10.4. Add the following to the end of Section 10.4: "To the extent Party A and Party B are named as defendants by a third party in any action arising with respect to delivery of Product and Party B receives any amount from a third party as indemnification or reimbursement with respect to such action, Party A and Party B agree to equitably divide such amount."

(q) **Assignment.** In Section 10.5, the existing paragraph shall be replaced in its entirety with the following:

"(a) Neither Party shall assign this Agreement or its rights hereunder without the prior written consent of the other Party, which consent may be withheld in the exercise of its sole discretion.

(b) Notwithstanding the foregoing, Party A may, without the consent of Party B, (i) transfer, sell, pledge, encumber or assign this Agreement or the accounts, revenues or proceeds hereof in connection with any financing or other financial arrangements, (ii) transfer or assign this Agreement to an affiliate of Party A which affiliate's creditworthiness is equal to or higher than that of Party A, or (iii) transfer or assign this Agreement to any person or entity succeeding to all or substantially all of the assets whose creditworthiness is equal to or higher than that of Party A; provided, however, that in each such case, such assignee shall agree in writing to be bound by the terms and conditions hereof and, so long as Party A delivers such tax and enforceability assurances together with such assurances as to the sufficiency of creditworthiness of such assignee to perform its obligations hereunder, as Party B may reasonably request; provided, further, however, that in the event this Agreement is pledged or assigned to a bond trustee pursuant to clause (i) as collateral for bonds issued by Party A, such bond trustee shall not be required to agree in writing to be bound by the terms and conditions hereof unless and until the bond trustee or any successor or assign shall foreclose on such collateral in which case such bond trustee or its successor or assign shall be bound by each of the provisions hereof, including the immediately preceding proviso.

(c) Notwithstanding the foregoing, Party B, without the consent of Party A, may (i) transfer, sell, pledge, encumber or assign this Agreement or the accounts, revenues or proceeds hereof in connection with any financing or other financial arrangements, or (ii) transfer and assign all of its right, title and interest to this Agreement and the Fund to another Governmental Entity created or designated by law solely to carry out the rights, powers, duties and obligations of the Department under the Act, provided, however, that in each such case, such assignee shall agree in writing to be bound by the terms and conditions hereof and, in each such case, so long as the transferring Party delivers such tax and enforceability assurances together with such assurances as to the sufficiency of creditworthiness of such assignee to perform its obligations hereunder, as the non-transferring Party may reasonably request; provided, further, however, that in the event this Agreement is pledged or assigned to a bond trustee pursuant to clause (i) as collateral for bonds issued by Party B, such bond trustee shall not be required to agree in writing to be bound by the terms and conditions hereof unless and until the bond trustee or any successor or assign shall foreclose on such collateral in which case such bond trustee or its successor or assign shall be bound by each of the provisions hereof, including the immediately preceding proviso."

(r) **Governing Law.** In Section 10.6, "New York" shall be replaced with "California."

(s) **General.**

(1) The phrase "Except to the extent herein provided for," shall be deleted from the fourth sentence of Section 10.8, and the phrase "and this agreement may not be orally amended or modified, including by Recording pursuant to Section 2.5" shall be added to the end of such fourth sentence.

(2) In the ninth sentence of Section 10.8, insert "materially affected or" after the phrase "Any provision," and insert "and materially affected by or" after the phrase "or regulatory agency."

(f) **Additional Provisions.** New Sections 10.12 through 10.18 are added to Article 10 as follows:

10.12. No Retail Services; No Agency. (a) Nothing contained in this Agreement shall grant any rights to or obligate Party A to provide any services hereunder directly to or for retail customers of any person.

(b) In performing their respective obligations hereunder, neither Party is acting, or is authorized to act, as agent of the other Party.

10.13 No Interference; No Adverse Actions.

Party B agrees to assist Party A in good faith to resolve acts or omissions (other than as otherwise required to be done by a public agency pursuant to the legal exercise of such public agency's mandate) which Party A believes would have a significant effect on (a) Party A's right or ability to (x) sell and deliver, or cause to be delivered, Product to Party B or (y) otherwise satisfy its obligations under this Agreement or (b) Party B's right or ability to (x) purchase and receive, or cause to be received Product from Party A or (y) otherwise satisfy its obligations under this Agreement.

10.14 Dispute Resolution. (a) If a dispute shall arise between the Parties relating to the interpretation of this Agreement or to performance by a Party hereunder or under any Transaction, the Party desiring resolution of the dispute shall notify the other Party in writing. The notice shall set forth the matter in dispute in reasonable detail and a proposed solution.

(b) The Parties shall attempt to resolve any dispute within 15 calendar days after delivery of the written notice referred to above. Any disputes not so resolved shall be referred by each Party to an officer (or the officer's designee) for resolution. If the Parties fail to reach an agreement within 15 days after such referral, each Party shall have the right to pursue any and all remedies provided in this Agreement and as afforded by applicable law.

(c) The existence of any dispute or controversy under this Agreement or the pendency of the dispute settlement or resolution procedures set forth herein shall not in and of itself relieve or excuse either Party from its ongoing duties and obligations under this Agreement.

10.15 WAIVER OF JURY TRIAL. THE PARTIES HEREBY EXPRESSLY WAIVE ALL RIGHTS TO TRIAL BY JURY ON ANY CAUSE OF ACTION, SUIT OR PROCEEDING DIRECTLY OR INDIRECTLY INVOLVING OR RELATED TO THE TERMS, COVENANTS OR CONDITIONS OF THIS AGREEMENT OR ANY MATTERS WHATSOEVER ARISING OUT OF OR IN ANY WAY CONNECTED WITH OR RELATED TO THIS AGREEMENT. EACH PARTY (I) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF THE OTHER PARTY OR ANY CREDIT SUPPORT PROVIDER HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF SUCH A SUIT, ACTION OR PROCEEDING, SEEK TO ENFORCE THE FOREGOING WAIVER AND (II) ACKNOWLEDGES THAT IT AND THE OTHER PARTY HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND PROVIDE FOR ANY CREDIT SUPPORT DOCUMENTS, AS APPLICABLE, BY AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION. THE PROVISIONS OF THIS AGREEMENT RELATING TO WAIVER OF JURY TRIAL SHALL SURVIVE THE TERMINATION OR EXPIRATION OF THIS AGREEMENT.

10.16 No Third Party Beneficiaries. The provisions of this Agreement are for the benefit of the Parties hereto, and as to any other person or entity, this Agreement shall not be construed as a third party beneficiary contract.

10.17 Fixed Rate Contract; Mobile-Sierra Clause. The Parties hereby stipulate and agree that, under the facts and circumstances known to them at this time, this Agreement was entered into as a result of arms'-length negotiations between the Parties. Further, the Parties believe that the rates, terms and conditions of this Agreement are just and reasonable within the meaning of Sections 205 and 206 of the Federal Power Act, 16 U.S.C. Sections 824d and 824e, and that the rates, terms and conditions of this Agreement will remain so over the life of the Agreement. The Parties waive all rights to challenge the validity of this Agreement or whether it is just and reasonable for and with respect to the entire term thereof, including any rights under Sections 205 and 206 of the Federal Power Act to request the FERC to revise the terms and conditions and the rates or services specified in this Agreement, and hereby agree to make no filings at the FERC or with any other state or federal agency, board, court or tribunal challenging the rates, terms and conditions of this Agreement as to whether they are just and reasonable or in the public interest under the Federal Power Act. The Parties hereby further stipulate and agree that neither Party may bring any action, proceeding or complaint under Section 205 or 206 of the Federal Power Act, 16 U.S.C. 824d or 824e, seeking to modify, cancel, suspend, or abrogate the rates, terms and conditions of this Agreement or any Transaction hereunder, or to prevent this Agreement or any Transaction hereunder from taking effect. It is further agreed that, in the event any of the Parties challenges this Agreement for any other reason, they will not dispute the applicability of the public interest standard as that term has been defined and interpreted under the Federal Power Act and the cases of *United Gas Pipe Line Co. v. Mobile Gas Corp.*, 350 U.S. 332 (1956), and *FPC v. Sierra Pacific Power Co.*, 350 U.S. 348 (1956), and subsequent cases.

10.18 Novation. Notwithstanding the foregoing limitations on assignment, at any time after January 1, 2003, the Seller shall, upon the written request of Department, enter into one or more Replacement Agreements as may be agreed to by one or more Qualified Electric Corporations. This Agreement shall terminate upon effective date of a Replacement Agreement. The effectiveness of the Replacement Agreement shall constitute a novation that shall relieve Department of any liability or obligation arising after the date of termination of the Agreement. Such Replacement Agreement shall state that it is a Replacement Agreement within the meaning of the Agreement and that it constitutes a novation for which there is adequate consideration. The effectiveness of such Replacement Agreement shall be subject to the condition precedent that the California Public Utilities Commission shall have conducted a just and reasonable review under Section 451 of the Public Utilities Code with respect to such Replacement Agreement and shall have issued an order determining that the charges under such Replacement Agreement are just and reasonable.

(u) Schedule M. Schedule M shall be amended as follows:

- (1) In Section A, "Act" will mean Sections 80000, 80002, 80002.5, 80003, 80004, 80010, 80012, 80014, 80016, 80100, 80102, 80104, 80106, 80108, 80110, 80112, 80116, 80120, 80122, 80130, 80132, 80134, 80200, 80250, 80260 and 80270 of the Water Code, as amended.
- (2) "Special Fund" will mean the Fund.
- (3) In Section A, the defined term "Governmental Entity or Public Power System" shall be replaced with the term "Governmental Entity" using the following definition "'Governmental Entity' means the State of California, any State governmental board, public power authority, public utility district, joint action agency, or other similar political subdivision or public entity of the State of California, the State of California Department of Water Resources, or any combination thereof"; and all references to (A) "Governmental Entity or Public Power System" (and cognates) and (B) "Public Power System" (and cognates) in Schedule M shall be replaced with the new defined term "Governmental Entity" (using the applicable cognate).

- (4) In Section B, the sentence to be added to the end of the definition of "Force Majeure" in Article One shall be replaced with the following: "If the Claiming Party is a Governmental Entity, Force Majeure does not include any act or omission of a Governmental Entity (or any branch, subdivision, agency, officer or representative thereof) in its governmental capacity or any other act or omission of any Governmental Entity (including judicial action or inaction) and such act or omission shall be deemed to be an action of Party B.
- (5) In Section C add the following representations and warranties:
- (i) "Party B represents and warrants that a Rate Agreement By and Between State of California Department of Water Resources and State of California Public Utilities Commission adopted by the California Public Utilities Commission on February 21, 2001 in Decision 02-02-051 (the "rate Agreement") is binding and in effect."
 - (ii) Party B represents and warrants that, unless determined otherwise by a court or body of appropriate jurisdiction, each of this Amended and Restated Master Power Purchase and Sale Agreement and the Product D Transaction is a "Priority Long-Term Power Contract" as that term is defined in the Rate Agreement.
- (6) In Section D, delete Section 3.5 and replace it with the following:
- "Section 3.5 No Immunity Claim. California law authorizes suits based on contract against the State or its agencies, and Party B agrees that it will not assert any immunity it may have as a state agency against such lawsuits filed in California state court."
- (7) In Section G, specify that the laws of the State of California will apply.
- (8) Add a new Section H, which shall read as follows:

Section 3.6. Payments Under Agreement an Operating Expense. To the extent that this Transaction shall constitute a "Priority Long Term Power Contract" as that term is defined in the Rate Agreement between Party B and State of California Public Utilities Commission ("CPUC") adopted by the CPUC on February 21, 2001 in Decision 02-02-051, payments under this Agreement shall constitute an operating expense of the Fund payable prior to all bonds, notes or other indebtedness secured by a pledge or assignment of the Trust Estate or payments to the general fund."

- (9) Add a new Section I, which shall read as follows:

Section 3.7. Rate Covenant; No Impairment. Party B covenants that it will, at least annually, and more frequently as required, establish and revise revenue requirements sufficient, together with any moneys on deposit in the Fund, to provide for the timely payment of all obligations which it has incurred, including any payments required to be made by Party B pursuant to this Agreement. While any obligations of Party B pursuant this Agreement remain outstanding and not fully performed or discharged, the rights, powers, duties and existence of Party B and the Public Utilities Commission shall not be diminished or impaired in any manner that will affect adversely the interests and rights of Party A under this Agreement.

- (10) Add a new Section J, which shall read as follows:

Section 3.8. Sources of Payment; No Debt of State. Party B's obligation to make payments hereunder shall be limited solely to the Fund. Any liability of Party B arising in connection with this Agreement or any claim based thereon or with respect thereto, including, but not limited to, any Termination Payment arising as the result of any breach or Potential Event of Default or Event of Default under this Agreement, and any other payment obligation or liability of or judgment against Party B hereunder, shall be satisfied solely from the Special Fund. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF CALIFORNIA ARE OR MAY BE PLEDGED FOR ANY PAYMENT UNDER THIS AGREEMENT. Revenues and assets of the State Water Resources

Development System shall not be liable for or available to make any payments or satisfy any obligation arising under this Agreement.

(11) Section 3.9. No More Favorable Terms. Party B shall not provide in any power purchase agreement payable from the Trust Estate for (i) collateral or other security or credit support with respect thereto, (ii) a pledge or assignment of the Trust Estate for the payment thereof, or (iii) payment priority with respect thereto superior to that of Party A, without in each case offering such arrangements to Party A; provided, however, that Party B shall not be deemed to be in violation of this Section 3.9, and Party B shall not be required to offer Party A payment priority equal to that of the Priority Long Term Power Contracts, to the extent that this Transaction shall not constitute a "Priority Long Term Power Contract" as that term is defined in the Rate Agreement.

(12) Add a new Section L, which shall read as follows:

"Section 3.10. Application of Government Code and the Public Contracts Code. Party A has stated that, because of the administrative burden and delays associated with such requirements, it would not enter into this Agreement if the provisions of the Government Code and the Public Contracts Code applicable to state contracts, including, but not limited to, advertising and competitive bidding requirements and prompt payment requirements would apply to or be required to be incorporated in this Agreement. Accordingly, pursuant to Section 80014(b) of the Water Code, Party B has determined that it would be detrimental to accomplishing the purposes of Division 27 (commencing with Section 80000) of the Water Code to make such provisions applicable to this Agreement and that such provisions and requirements are therefore not applicable to or incorporated in this Agreement."

(13) Add a new Section M, which shall read as follows:

"Section 3.11. Deposit of Proceeds of Bonds. The proceeds of any bonds issued by Party B shall be deposited and applied in accordance with the resolution or indenture providing for the issuance thereof."

(14) Add a new Section N, which shall read as follows:

"Section 3.12. Transfers of Power Charge Revenues and Bond Charge Revenues. The indenture providing for the issuance of any bonds or other indebtedness by Party B will provide for the application of Power Charge Revenues and Bond Charge Revenues in accordance with the document entitled "California Department of Water Resources Summary of Material Terms of Financing Documents (Submitted in connection with Section 7.10 of a proposed Rate Agreement between California Department of Water Resources and the California Public Utilities Commission)" under the captions "III. Flow of Funds – Power Charge Revenues; Bond Charge Revenues as modified and amended by the Amended and Restated Addendum to Summary of Material Terms of Financing Documents dated as of August 8, 2002, as further amended or supplemented, and according to Section 7.10 of the Rate Agreement as adopted by the California Public Utilities Commission in Decision No. 02-02-051"

(w) **Conditions Precedent.** The effectiveness of this Agreement (including the Product D Transaction) is subject to and conditioned upon:

- (1) delivery to Party A of a legal opinion from the General Counsel of the California Department of Water Resources in the form attached hereto as Exhibit A; and
- (2) delivery to Party A of a legal opinion from the Attorney General of the State of California in the form attached hereto as Exhibit B.
- (3) unless waived by Party A, receipt by Party A of consents and agreements from the AES Subsidiaries as Party A deems necessary or beneficial in its sole discretion, such consents and agreements to be received on or prior to December 31, 2002; and

- (4) unless waived by Party A, receipt by Party A of required consents and agreements from the California Independent System Operator Corporation, such consents and agreements to be received on or prior to December 31, 2002.

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Unless otherwise determined by a court or other body of appropriate jurisdiction, this Product D Master Agreement amends and supercedes that certain Master Power Purchase and Sale Agreement dated February 16, 2001 (the "Prior Agreement") by and between the Parties. As of the effective date of this Product D Master Agreement, the Prior Agreement, together with any transaction thereunder, shall be of no force or effect.

IN WITNESS WHEREOF, the Parties have caused this Product D Master Agreement to be duly executed as of the date first above written.

WILLIAMS ENERGY MARKETING &
TRADING COMPANY

CALIFORNIA DEPARTMENT OF WATER
RESOURCES separate and apart from its powers
and responsibilities with respect to the State Water
Resources Development System

By:  _____

Name: William E. Hobbs

Title: President and CEO

By: _____

Name: _____

Title: _____

DISCLAIMER: This Master Power Purchase and Sale Agreement was prepared by a committee of representatives of Edison Electric Institute ("EEI") and National Energy Marketers Association ("NEM") member companies to facilitate orderly trading in and development of wholesale power markets. Neither EEI nor NEM nor any member company nor any of their agents, representatives or attorneys shall be responsible for its use, or any damages resulting therefrom. By providing this Agreement EEI and NEM do not offer legal advice and all users are urged to consult their own legal counsel to ensure that their commercial objectives will be achieved and their legal interests are adequately protected.



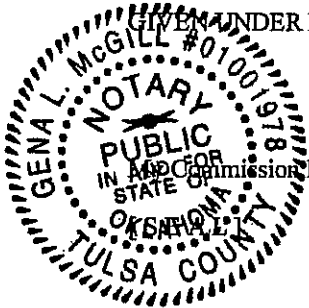
Acknowledgments

State of Oklahoma)
) SS
County of Tulsa)

BEFORE ME, the undersigned authority, a notary public, on this day personally appeared William E. Hobbs
President and CEO of Williams Energy Marketing & Trading Company, a Delaware corporation, known to me
that he executed this Master Power Purchase And Sale Agreement Cover Sheet for the purposes and consideration
herein expressed, in the capacity therein set forth and as the act and deed of said corporation.

GIVEN UNDER MY HAND AND SEAL of office, this the 11th day of November, 2002.

Gena L. McGill
Notary Public



My Commission Expires: Feb. 2, 2005

State of California)
) SS
County of _____)

BEFORE ME, the undersigned authority, a notary public, on this day personally appeared _____,
_____ of the California Department of Water Resources, a _____, known to
me that he executed this Master Power Purchase And Sale Agreement Cover Sheet for the purposes and
consideration therein expressed, in the capacity therein set forth and as the act and deed of said _____.

GIVEN UNDER MY HAND AND SEAL of office, this the _____ day of November, 2002.

Notary Public

My Commission Expires: _____

[SEAL]

Unless otherwise determined by a court or other body of appropriate jurisdiction, this Product D Master Agreement amends and supercedes that certain Master Power Purchase and Sale Agreement dated February 16, 2001 (the "Prior Agreement") by and between the Parties. As of the effective date of this Product D Master Agreement, the Prior Agreement, together with any transaction thereunder, shall be of no force or effect.

IN WITNESS WHEREOF, the Parties have caused this Product D Master Agreement to be duly executed as of the date first above written.

WILLIAMS ENERGY MARKETING &
TRADING COMPANY

By: _____

Name: _____

Title: _____

CALIFORNIA DEPARTMENT OF WATER
RESOURCES separate and apart from its powers
and responsibilities with respect to the State Water
Resources Development System

By:  _____

Name: Peter S. GARRIS

Title: Deputy Director

DISCLAIMER: This Master Power Purchase and Sale Agreement was prepared by a committee of representatives of Edison Electric Institute ("EEI") and National Energy Marketers Association ("NEM") member companies to facilitate orderly trading in and development of wholesale power markets. Neither EEI nor NEM nor any member company nor any of their agents, representatives or attorneys shall be responsible for its use, or any damages resulting therefrom. By providing this Agreement EEI and NEM do not offer legal advice and all users are urged to consult their own legal counsel to ensure that their commercial objectives will be achieved and their legal interests are adequately protected.

CALIFORNIA ALL-PURPOSE ACKNOWLEDGEMENT

STATE OF California

COUNTY OF Sacramento

ON 11/11/02

DATE

BEFORE ME,

Kristy Chapman

NAME & TITLE OF OFFICER (EG. JANE DOE, NOTARY PUBLIC)

PERSONALLY APPEARED

Peter S. Garnis

PERSONALLY KNOWN TO ME

☒

PROVED TO ME ON THE BASIS OF SATISFACTORY EVIDENCE

TO BE THE PERSON(S) WHOSE NAME(S) IS/ARE SUBSCRIBED TO THE WITHIN INSTRUMENT AND ACKNOWLEDGED TO ME THAT HE/SHE/THEY EXECUTED THE SAME IN HIS/HER/THEIR AUTHORIZED CAPACITY(IES), AND THAT BY HIS/HER/THEIR SIGNATURE(S) ON THE INSTRUMENT THE PERSON(S), OR ENTITY UPON BEHALF OF WHICH THE PERSON(S) ACTED, EXECUTED THE INSTRUMENT.



WITNESS MY HAND AND OFFICIAL SEAL.

Kristy Chapman
SIGNATURE OF NOTARY PUBLIC

*****OPTIONAL INFORMATION*****

THE INFORMATION BELOW IS NOT REQUIRED BY LAW, IT MAY PROVE TO BE IMPORTANT TO PERSONS RELYING ON THE DOCUMENT AND COULD PREVENT FRAUDULENT REMOVAL AND REATTACHMENT OF THIS FORM TO SOME OTHER DOCUMENT.

DESCRIPTION OF ATTACHED DOCUMENT

TITLE OR TYPE OF DOCUMENT:

Amended and Restated Master Power Agreement Cover Sheet (Product D)

DOCUMENT DATE: 11/11/02

NUMBER OF PAGES:

SIGNER(S) OTHER THAN NAMED ABOVE:

CAPACITY(IES) CLAIMED BY SIGNER(S)

SIGNER'S NAME: Peter S. Garnis

☒ INDIVIDUAL
☐ CORPORATE OFFICER
TITLE(S):

☐ PARTNER
 ☐ LIMITED ☐ GENERAL
☐ ATTORNEY-IN-FACT
☐ TRUSTEE
☐ GUARDIAN OR CONSERVATOR
☒ OTHER:

SIGNER IS REPRESENTING:

CDWR

RIGHT THUMBPRINT
OF SIGNER

Top Of Thumb Here

SIGNER'S NAME:

☐ INDIVIDUAL
☐ CORPORATE OFFICER
TITLE(S):

☐ PARTNER
 ☐ LIMITED ☐ GENERAL
☐ ATTORNEY-IN-FACT
☐ TRUSTEE
☐ GUARDIAN OR CONSERVATOR
☐ OTHER:

SIGNER IS REPRESENTING:

RIGHT THUMBPRINT
OF SIGNER

Top Of Thumb Here

EXHIBIT A

**LEGAL OPINION OF GENERAL COUNSEL OF THE
CALIFORNIA DEPARTMENT OF WATER RESOURCES**

DEPARTMENT OF WATER RESOURCES

1416 NINTH STREET, P.O. BOX 942836
SACRAMENTO, CA 94236-0001
(916) 653-5791



November 11, 2002

Williams Energy Marketing & Trading Company
One Williams Center
Tulsa, OK 74172

Attn: Contract Administration

Ladies and Gentlemen:

Re: Amended and Restated Master Power Purchase and Sale Agreements between Williams Energy Marketing & Trading Company and the California Department of Water Resources separate and apart from its powers and responsibilities with respect to the State Water Resources Development System

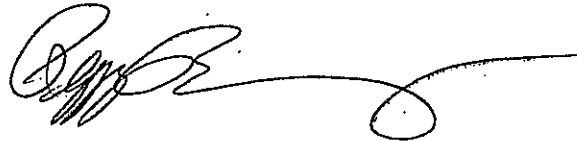
I have examined the Product A, B, and C Master Power Purchase and Sale Agreement between Williams Energy Marketing & Trading Company (the "Company") and the California Department of Water Resources separate and apart from its powers and responsibilities with respect to the State Water Resources Development System ("California Energy Resource Scheduler" or "CDWR-CERS"), dated November 11, 2002, together with the cover sheet and related confirmation and the Product D Master Power Purchase and Sale Agreement between the Company and "CDWR-CERS," dated November 11, 2002, together with the cover sheet and related confirmation (collectively, the "Master Agreements") and such other documents and information as I have deemed necessary to render this opinion.

1. CDWR-CERS has the requisite power and authority to execute and deliver the Master Agreements and to perform its obligations under the Master Agreements.
2. The Master Agreements have been duly authorized, executed, and delivered by CDWR-CERS and constitute valid and binding obligations of CDWR-CERS enforceable in accordance with their terms except as enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium, or other laws affecting the enforcement of creditors' rights generally or by general principles of equity, including the possible unavailability of specific performance or injunctive relief, regardless of whether such enforceability is considered in proceeding in equity or at law, or by principles of public policy.
3. Neither the execution and delivery of the Master Agreements by CDWR-CERS nor the performance of the transactions contemplated therein by

CDWR-CERS will (a) result in the violation by CDWR-CERS of any provision of the California Constitution or any statute, rule or regulation (b) result in a default by CDWR-CERS under, or any breach by CDWR-CERS of, any indenture, mortgage, deed of trust, loan agreement or other evidence of indebtedness, agreement or instrument to which CDWR-CERS is a party or by which CDWR-CERS is bound or (c) result in the violation by CDWR-CERS of any judgment, order, writ, injunction or decree of any court or governmental agency or body binding upon CDWR-CERS or any of its properties.

4. No consent, approval, authorization or order of, or registration or qualification with, any governmental agency or body is required of CDWR-CERS in connection with the execution and delivery or the performance of the Master Agreements or the transactions contemplated therein.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Peggy Bernardy', with a long, sweeping horizontal line extending to the right.

Peggy Bernardy
Chief Counsel
California Department of Water Resources

EXHIBIT B

**LEGAL OPINION OF ATTORNEY GENERAL
OF STATE OF CALIFORNIA**



1300 I STREET, SUITE 125
P.O. BOX 944255
SACRAMENTO, CA 94244-2550

Public: (916) 445-9555

November 11, 2002

Williams Energy Marketing & Trading Company
One Williams Center
Tulsa, Oklahoma 74172

RE: Master Power Purchase and Sale Agreements between Williams Energy Marketing & Trading Company and the California Department of Water Resources separate and apart from its Powers and Responsibilities with respect to the State Water Resources Development System

We have examined the Amended and Restated Master Power Purchase and Sale Agreements (Version 2.1; modified 4/25/00) for both Product A, B, C and Product D between Williams Energy Marketing and Trading Company and the California Department of Water Resources separate and apart from its Powers and Responsibilities with respect to the State Water Resources Development System ("CDWR"), made as of November 8, 2002, together with the cover sheets made as of the same date and the related amended and restated confirmations dated November 8, 2002 (collectively, the "Master Agreements"), and are of the following opinions:

1. CDWR is a department of the State of California, duly established and validly existing under the laws of the State of California, and has the requisite power and authority to execute and deliver the Master Agreements and to perform its obligations under the Master Agreements.
2. The Master Agreements have been duly authorized, executed, and delivered by CDWR and constitutes a valid and binding obligation of CDWR enforceable in accordance with its terms except as enforceability thereof may be limited by general principles of equity, including the possible unavailability of specific performance or injunctive relief, regardless of whether such enforceability is considered in a proceeding in equity or at law; bankruptcy, insolvency, reorganization, fraudulent conveyance, arrangement, moratorium and other laws relating to or affecting creditors' rights; the exercise of judicial discretion in appropriate cases; and generally applicable limitations on legal remedies against the State of California including those referenced in California Code of

Civil Procedure sections 695.040, 695.050 and 712.070 and California Government Code sections 900 through 985 and arising from the Eleventh Amendment of the United States Constitution.

3. Neither the execution and delivery of the Master Agreements by CDWR nor the performance by CDWR of the transactions contemplated therein will result in the violation by CDWR of any provision of the California Constitution or any statute, rule or regulation.
4. No consent, approval, authorization or order of, or registration or qualification with, any governmental agency or body is required of CDWR in connection with the execution and delivery or the future performance of the Master Agreements or the transactions contemplated therein; provided, however, that no opinion is given as to any consent, approval, authorization or order of, or registration or qualification with any government agency or body that regulates the power purchase or sale activities of entities that purchase electric power for resale or make retail sales of electric power, that is generally applicable to entities that purchase electric power for resale or make retail sales of electric power, that relates to CDWR's performance of the Master Agreements or the transactions contemplated therein.
5. Section 80260 of the California Water Code will not affect the power of CDWR to make payments required by the Master Agreements after December 31, 2001.

The opinions and conclusions expressed above are based on an analysis of existing laws, regulations, rulings and court decisions and may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof and we disclaim any obligation to update this letter.

The opinions and conclusions expressed above do not constitute a determination by this office as to the "just and reasonableness" of the terms Master Agreements pursuant to Water Code section 80110.

This letter is delivered to you solely for your benefit, and is not to be used, circulated, quoted or otherwise referred to or relied upon for any other purpose or by any other person. By acceptance of this letter you recognize and acknowledge that no attorney-client relationship has

WEMTC

November 11, 2002

Page 3

existed between this Office and you in connection with the Master Agreements or by virtue of this letter. This opinion is limited to the laws of the State of California.

Sincerely,

A handwritten signature in black ink, appearing to read "Ken Alex". The signature is fluid and cursive, with the first name "Ken" and the last name "Alex" clearly distinguishable.

KEN ALEX

Supervising Deputy Attorney General

For BILL LOCKYER
Attorney General

**MASTER POWER PURCHASE AND SALE AGREEMENT
CONFIRMATION LETTER**

PRODUCT D TRANSACTION

This confirmation letter shall confirm the Product D Transaction agreed to on November 11, 2002 between WILLIAMS ENERGY MARKETING & TRADING COMPANY ("Party A") and CALIFORNIA DEPARTMENT OF WATER RESOURCES separate and apart from its powers and responsibilities with respect to the State Water Resources Development System ("Party B") regarding the sale/purchase of the Product under the terms and conditions as follows:

Seller: Party A

Buyer: Party B

Product:

☐ Into _____, Seller's Daily Choice

☐ Firm (LD)

☐ Firm (No Force Majeure)

☐ System Firm

(Specify System: _____)

☐ Unit Firm

(Specify Unit(s): _____)

☒ Other

All capacity and energy from the Designated Units as provided in the AES Agreement and Schedule 1 hereto, subject to Force Majeure as provided in the Product D Master Agreement (defined below). All capitalized terms not otherwise defined herein shall have the meanings set forth in Schedule 1.

☐ Transmission Contingency (If not marked, no transmission contingency)

<input type="checkbox"/> FT-Contract Path Contingency	<input type="checkbox"/> Seller	<input type="checkbox"/> Buyer
---	---------------------------------	--------------------------------

<input type="checkbox"/> FT-Delivery Point Contingency	<input type="checkbox"/> Seller	<input type="checkbox"/> Buyer
--	---------------------------------	--------------------------------

<input type="checkbox"/> Transmission Contingent	<input type="checkbox"/> Seller	<input type="checkbox"/> Buyer
--	---------------------------------	--------------------------------

☒ Other transmission contingency

(Specify: Buyer shall be responsible for transmission contingencies at and after the Delivery Point and Seller shall be responsible for transmission contingencies prior to the Delivery Point.)

Contract Quantity:

All Dependable Capacity of the Designated Units and associated energy during the periods as provided in Schedule 1 as follows, subject to adjustment pursuant to the Settlement Agreement:

Start Date through June 30, 2003 from HB 1 and HB 2
July 1, 2003 through December 31, 2007 from AL 5, AL 6 and HB 1
January 1, 2008 through Dec. 31, 2010 from AL 1, AL 5, HB 1 and RB6

Delivery Point: As specified as in the AES Agreement.

Contract Price: As provided in Schedule 1, subject to adjustment pursuant to the Settlement Agreement.

Energy Price: As provided in Schedule 1.

Other Charges: As provided in Schedule 1.

Delivery Period: Start Date through Dec. 31, 2010

Special Conditions: See Schedule 1 hereto.

Option Buyer: N/A

Option Seller: N/A

Type of Option: _____

Strike Price: _____

Premium: _____

Exercise Period: _____

This Product D confirmation letter is being provided pursuant to and in accordance with the Amended and Restated Master Power Purchase and Sale Agreement, dated November 11, 2002 (the "Product D Master Agreement") between Party A and Party B, and constitutes part of and is subject to the terms and provisions of such Product D Master Agreement.

This Product D confirmation letter, together with the Product D Master Agreement and the Amended and Restated Master Power Purchase and Sale Agreement and related amended and restated Product A, B, and C confirmation letter (both of even date herewith), collectively supersedes the Amended and Restated Master Power Purchase and Sale Agreement dated February 16, 2001, and related amended and restated confirmation dated February 21, 2001. Terms used but not defined herein shall have the meanings ascribed to them in the Product D Master Agreement or in Schedule 1 hereto.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

WILLIAMS ENERGY MARKETING &
TRADING COMPANY

Name: [Signature]

Title: William E. Hobbs, President and CEO

Phone No: 918/573-4608

Fax: 918/573-1717

CALIFORNIA DEPARTMENT OF
WATER RESOURCES separate and apart
from its powers and responsibilities with respect to
the State Water Resources Development System

Name: _____

Title: _____

Phone No: _____

Fax: _____



Acknowledgments

State of Oklahoma)
) SS
County of Tulsa)

BEFORE ME, the undersigned authority, a notary public, on this day personally appeared William E. Hobbs, President and CEO of Williams Energy Marketing & Trading Company, a Delaware corporation, known to me that he executed this Master Power Purchase and Sale Agreement Amended and Restated Confirmation Letter Product D Transaction for the purposes and consideration herein expressed, in the capacity therein set forth and as the act and deed of said corporation.

GIVEN UNDER MY HAND AND SEAL of office, this the 11th day of November, 2002.

Gena L. McGill
Notary Public

My Commission Expires:

Feb. 2, 2005



**WILLIAMS ENERGY MARKETING &
TRADING COMPANY**

Name: _____

Title: _____

Phone No: _____

Fax: _____

**CALIFORNIA DEPARTMENT OF
WATER RESOURCES** separate and apart
from its powers and responsibilities with respect to
the State Water Resources Development System

Name: Bob S. Gani

Title: Deputy Director

Phone No: 916 574 2733

Fax: 916 574 2512

CALIFORNIA ALL-PURPOSE ACKNOWLEDGEMENT

STATE OF California

COUNTY OF Sacramento

ON 11/11/02 BEFORE ME, Kristy Chapman
DATE NAME & TITLE OF OFFICER (EG. JANE DOE, NOTARY PUBLIC)

PERSONALLY APPEARED Peter S. Garri's

☐ PERSONALLY KNOWN TO ME

☒ PROVED TO ME ON THE BASIS OF SATISFACTORY EVIDENCE

TO BE THE PERSON(S) WHOSE NAME(S) IS/ARE SUBSCRIBED TO THE WITHIN INSTRUMENT AND ACKNOWLEDGED TO ME THAT HE/SHE/THEY EXECUTED THE SAME IN HIS/HER/THEIR AUTHORIZED CAPACITY(IES), AND THAT BY HIS/HER/THEIR SIGNATURE(S) ON THE INSTRUMENT THE PERSON(S), OR ENTITY UPON BEHALF OF WHICH THE PERSON(S) ACTED, EXECUTED THE INSTRUMENT.



WITNESS MY HAND AND OFFICIAL SEAL.

Kristy Chapman
SIGNATURE OF NOTARY PUBLIC

*****OPTIONAL INFORMATION*****

THE INFORMATION BELOW IS NOT REQUIRED BY LAW, IT MAY PROVE TO BE IMPORTANT TO PERSONS RELYING ON THE DOCUMENT AND COULD PREVENT FRAUDULENT REMOVAL AND REATTACHMENT OF THIS FORM TO SOME OTHER DOCUMENT.

DESCRIPTION OF ATTACHED DOCUMENT

TITLE OR TYPE OF DOCUMENT: Master Power Purchase and Sale Agreement
Confirmation Letter - Product D

DOCUMENT DATE: 11/11/02 NUMBER OF PAGES:

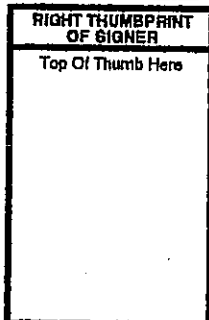
SIGNER(S) OTHER THAN NAMED ABOVE:

CAPACITY(IES) CLAIMED BY SIGNER(S)

SIGNER'S NAME: Peter S. Garri's

☒ INDIVIDUAL
☐ CORPORATE OFFICER
TITLE(S):
☐ PARTNER
☐ LIMITED ☐ GENERAL
☐ ATTORNEY-IN-FACT
☐ TRUSTEE
☐ GUARDIAN OR CONSERVATOR
☒ OTHER:

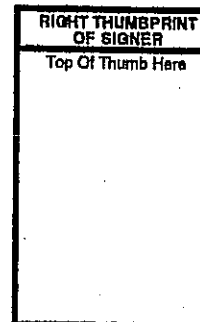
CDWR
SIGNER IS REPRESENTING:
CDWR



SIGNER'S NAME:

☐ INDIVIDUAL
☐ CORPORATE OFFICER
TITLE(S):
☐ PARTNER
☐ LIMITED ☐ GENERAL
☐ ATTORNEY-IN-FACT
☐ TRUSTEE
☐ GUARDIAN OR CONSERVATOR
☐ OTHER:

SIGNER IS REPRESENTING:



Section 1. Definitions. All capitalized terms in this Schedule 1 not otherwise defined herein shall have the meanings set forth in the Capacity and Tolling Agreement (the "AES Agreement"), dated as of May 1, 1998, among AES Alamitos, L.L.C., AES Huntington Beach, L.L.C., AES Redondo Beach L.L.C. and Party A, (f/k/a Williams Energy Services Company), as amended by Amendment No. 1, dated May 1, 1998, and Amendment No. 2, dated March 5, 2002, a copy of which is attached hereto as Appendix A and any other amendments.

"AL 1" means Alamitos Unit No. 1.

"AL 5" means Alamitos Unit No. 5.

"AL 6" means Alamitos Unit No. 6.

"AL 7" means Alamitos Unit No. 7.

"ADC" means

with respect to AL 1, the Dependable Capacity in excess of 175 MW;

with respect to AL 5, the Dependable Capacity in excess of 480 MW;

with respect to AL 6, the Dependable Capacity in excess of 480 MW;

with respect to HB 1, the Dependable Capacity in excess of 215 MW;

with respect to HB 2, the Dependable Capacity in excess of 215 MW;

with respect to RB 6, the Dependable Capacity in excess of 175 MW;

"Additional Capacity Payment" means for the period from the Start Date to Dec. 31, 2010, with respect to a given month, the sum of the Fixed Payments for the Designated Unit(s) for such month attributable to the ADC.

"Adjustment Factor" means, when used with respect to any particular "nth" Contract Year, shall be determined as follows:

$$AF = 1 + [(CPI_{n-1} - CPI_{n-2}) / CPI_{n-2}]$$

Where,

CPI_{n-1} = The average of the 12 monthly CPI values occurring in the Contract Year preceding the Contract Year with respect to which a calculation is to be made hereunder.

CPI_{n-2} = The average of the 12 monthly CPI values for the Contract Year two years preceding the Contract Year for which a determination is to be made.

"Base Capacity Payment" means:

For the period from the Start Date to December 31, 2007, a monthly capacity payment, payable in arrears, of \$11.67/kW-month times the total Base Dependable Capacity of the Designated Units.

For the period from January 1, 2008- Dec. 31, 2010, a monthly capacity payment, payable in arrears, of \$9.75/kW-month times the total Base Dependable Capacity of the Designated Units.

"Base Dependable Capacity" shall mean the Dependable Capacity as defined in the AES Agreement with respect to each Designated Unit, minus such Unit's ADC.

"Capacity Payment" means the Base Capacity Payment and the Additional Capacity Payment.

"Contract Year" means any period of June 1 to May 31 during the Delivery Period.

"CPI" means the Consumer Price Index as defined in the AES Agreement.

"Default Fuel Supply Plan" means the Gas supply plan attached hereto as Appendix B.

"Designated Unit(s)" means any of AL 1, AL 5, AL 6, HB 1, HB 2, and RB 6, but only to the extent such Units are obligated to provide Contract Quantity hereunder, subject to change as provided in Section 8(f).

"Extended-Term Obligations" means obligations provided by either Party that extend beyond the then current Fuel Supply Period.

"Event of Default" means, with respect to this Transaction, any Event of Default as set forth in Section 5.1 of the Product D Master Agreement; provided, however, that Event of Default shall not include any determination by any court or regulatory authority that this Transaction is not a Priority Long Term Power Contract.

"Fuel Payment" means (a) a fuel management fee of one cent (1¢) per decatherm of Hourly Fuel Consumption for all hours during such month, plus (b) in the event Party A is responsible for supplying Gas to the Designated Units, the amount payable by Party B to Party A pursuant to a Fuel Supply Plan pursuant to Section 6, or, in the absence of a Fuel Supply Plan, the amount payable to Party A pursuant to the Default Fuel Supply Plan.

"Fuel Supply Period" means the twelve-month period commencing on the termination of the Initial Fuel Supply Period and the anniversary thereof.

"HB 1" means Huntington Beach No. 1.

"HB 2" means Huntington Beach No. 2.

"HB 5" means Huntington Beach No. 5.

"Hourly Fuel Consumption" means with respect to a Designated Unit the hourly fuel consumption as metered at such Designated Unit adjusted back on a pro rata basis to the total quantity metered at the revenue meter of Southern California Gas Company or its successor ("RMT"), calculated as follows:

$$\text{Hourly Fuel Consumption} = \text{RMT} * (\text{DM}/\text{FMT})$$

Where:

"DM" means with respect to a Designated Unit the hourly fuel consumption as metered at such Designated Unit; and

"FMT" means the sum of the hourly fuel consumption quantities at each Unit at a Facility connected to the same revenue meter as the Designated Unit.

"Initial Fuel Supply Period" means the period commencing on the Start Date and continuing until June 30, 2003.

"Initial Fuel Supply Plan" means the Gas supply plan attached hereto as Appendix C.

"MRA" means Must Run Agreement between Party A or Party B and CAISO for a generating unit on an individual unit basis.

"RB 6" means Redondo Beach No. 6.

"Scheduling Coordinator Fee" means \$16,667 per month payable in arrears as adjusted annually by the Adjustment Factor each June commencing June, 2004.

"Settlement Agreement" means the Settlement Agreement, dated as of November 11, 2002, among the parties thereto, including the parties hereto.

"Start Date" means January 1, 2003.

Section 2. Intent of the Parties. Party A and Party B acknowledge and agree that (i) this Transaction has resulted from and is a part of the renegotiation of the Master Power Purchase and Sale Agreement, dated as of February 16, 2001, between Party A and Party B and the related Amended and Restated Confirmation Letter dated February 21, 2001 referred to in the Rate Agreement ("Rate Agreement") between Party B and State of California Public Utilities Commission ("CPUC") adopted by the CPUC on February 21, 2001 in Decision 02-02-051 (such Amended and Restated Master Power Purchase and Sale Agreement and related amended and

restated confirmation being referred to as the "Existing Transaction"), and (ii) because of certain benefits to be derived by Party A, constituting part of the consideration for the renegotiation of the Existing Transaction, Party A and Party B have determined to set forth the agreements resulting from the renegotiation of the Existing Transaction as two separate Transactions, including this Transaction. It is further the intent of Party A and Party B that both resulting Transactions, including this Transaction, each constitute a "Priority Long Term Power Contract" as that term is defined in the Rate Agreement.

Section 3. Scheduling and Dispatch. (a) Subject only to the limitations set forth herein and in the AES Agreement, Party B shall have (i) all of Party A's rights to Dispatch the Designated Units, utilize the Net Electric Energy and Ancillary Services associated with the Dependable Capacity of the Designated Units and market the Dependable Capacity of the Designated Units, the associated Net Electric Energy and the associated Ancillary Services as set forth in Section 8.2 of the AES Agreement and Party A shall Dispatch the Designated Units as directed by Party B except to the extent a Designated Unit is dispatched by the CAISO or any successor entity, and (ii) subject to the provisions of subsection 3(d), any and all related and ancillary rights of Party A under the AES Agreement that in any way bear on, affect or relate to the Dispatch and scheduling of the Designated Units or otherwise affect the value thereof to Party B.

(b) Party A shall Dispatch the Designated Units as directed by Party B, subject to the limitations set forth in the AES Agreement and except as otherwise required in applicable laws or regulations, or any requirements of the CAISO or any successor entity.

(c) Party B will not Dispatch or cause Party A to Dispatch the Designated Units in violation of the limitations set forth in the AES Agreement or of any applicable laws, regulations or any requirements of the CAISO or any successor entity.

(d) (i) Party A shall not change June, July, August, September, and October as Designated Months for any Facility which includes a Designated Unit without the written approval of Party B. Party A shall consult with Party B before selecting the remaining two Designated Months for any Facility which includes a Designated Unit as permitted by the AES Agreement (which as of the Start Date is a single selected month: May).

(ii) Party A shall consult with Party B before agreeing to any alternative index or method for determining the Hourly Gas Price with respect to a Designated Unit pursuant to Section 1.54 of the AES Agreement.

(iii) Except as specifically provided for in Section 3(d)(i) or (ii), if at any time the exercise of any rights by Party B pursuant to Section 3(a)(ii) interferes with or adversely affects Party A's rights with respect to any Units which are not Designated Units, Party A shall notify Party B thereof in writing. If the Parties are unable to establish mutually agreeable procedures for the exercise of such rights, the Parties shall submit the question of the reasonable and equitable apportionment of Party B's ancillary rights pursuant to Section 3(a)(ii) and Party A rights with respect to any Units which are not Designated Units to binding arbitration pursuant to Section 15.

Section 4. Notices, Information and Other Documentation. (a) Party A shall provide to Party B any all notices, information and other documentation and material provided to Party A by the AES Subsidiaries under the AES Agreement, pertaining to the Designated Units, including, but not limited to, any (i) Availability Notices for the Designated Units received by Party A pursuant to Sections 8.1 or 8.2(a) of the AES Agreement, (ii) each weekly Unit status Notice for each Designated Unit, (iii) any monthly reports of outage hours (Maintenance Outage Notice, Force Outage Notice), Start-ups, commodities consumed, actual Net Electric Energy delivered and actual MVARs, (iv) all availability and status notices, including Unit Status Change Notice for each Designated Unit, (v) any notice of inability to meet scheduled dispatch of a Designated Unit, (vi) any certificate of compliance delivered pursuant to Section 9.7 of the AES Agreement, (vii) any certificates of insurance pursuant to Section 16.3 of the AES Agreement, (viii) any forecasts of Planned Outages or Planned Outage Schedules for the Designated Units and updates thereof, any notice of Maintenance Outages and Maintenance Deratings, (ix) notice of any other event which could result in the inability of a Designated Unit to return to schedule service, (x) notice of any Forced Outages or Forced Deratings or any change thereto, (xi) any outage request, (xii) response rates received pursuant to Section 9.4 of the AES Agreement, (xiii) all other notices, requests and information delivered pursuant to Schedule 8.2 of the AES Agreement, and (xiv) any Notice of an Event of Default pursuant to Section 18.2(a) of the AES Agreement.

(b) To the extent any notices, information and other documentation and material are not provided, but may be requested by Party A under the AES Agreement with respect to the Designated Units, Party A shall, upon the request of Party B, request any such notices, information and other documentation and material under the AES Agreement and deliver any such notices, information and other documentation and material received under the AES Agreement to Party B, including, but not limited to, all Planned Outage and operation and maintenance records pertaining to the Designated Units pursuant to the AES Agreement.

(c) Party B shall be responsible for all incremental out of pocket costs and expenses incurred by Party A with respect to requests made by Party B pursuant to subsections 4(a) and (b) above, including but not limited to, costs of additional meters, communications software and equipment, and other equipment required to provide gas and electric meter data. Party B shall not be responsible for any of Party A's personnel or general overhead costs allocable to complying with subsections 4(a) and 4(b) above.

(d) The time period for the delivery of notices, information or other material hereunder shall be established by the Operating Committee established pursuant to Section 14 hereof. To the extent that a specific time or time period is not expressly specified by the Operating Committee with respect to any particular notice, action, consent or right hereunder, Party A shall provide to Party B all notices, or afford Party B the opportunity to take actions, give consents, or otherwise exercise the rights of Party A contracted to Party B hereunder as soon as reasonably possible.

Section 5. Exercise of Rights and Performance of Obligations. (a) In order to accomplish the purpose of Section 3 hereof, Party A shall not exercise any of the rights referred to in Section 3 hereof, including in cases where Party B does not Dispatch any Designated Unit, without the approval of Party B (which shall be in writing except with respect to subsection 5(a)(v), which

may be an oral approval), including, but not limited to, the rights to (i) agree to any amendment of Schedule 8.2 of the AES Agreement with respect to or affecting the Designated Units in accordance with Section 8.2(a) thereof, or (ii) give consent pursuant to Section 8.2(d) of the AES Agreement with respect to or affecting the Designated Units, (iii) agree to the operation of any Designated Unit using any fuel other than Gas pursuant to Section 8.9 of the AES Agreement, (iv) designate an alternate or additional Delivery Point with respect to any Designated Unit pursuant to Section 8.10 of the AES Agreement, (v) approve or change any dispatch request with respect to the Designated Units, (vi) consent to the reduction of Dependable Capacity of the Designated Units pursuant to Section 4.5 of the AES Agreement, (vii) approve the schedule of Planned Outages for the Designated Units, any proposed 15-month Planned Outage Schedule, any request for 24-hour approval and confirmation of a Planned Outage, or any preferred outage dates, with respect to the Designated Units, (viii) waive any right or remedy with respect to an Event of Default by any AES Subsidiary with respect to a Designated Unit other than Party A's right to terminate the AES Agreement which Party A may waive at any time without the approval of Party B, (ix) use of the maximum ramp rate in bidding spinning reserve as provided in Section 9.4(b) of the AES Agreement with respect to the Designated Units, (x) change or modify any performance standards such as heat rate guarantees and availability guarantees of the Designated Units, and (xi) exercise any other or similar right to approve, consent, agree, direct or cause an AES Subsidiary to act with respect to the Designated Units.

(b) In order to accomplish the purpose of Section 3 hereof, Party B may direct or cause Party A to exercise such rights, take such actions or otherwise perform under the AES Agreement with respect to the Designated Units, including but not limited to, the rights to direct Party A to (i) provide written consent pursuant to Section 8.2(d) of the AES Agreement, (ii) agree to the operation of any Designated Unit using any fuel other than Gas pursuant to Section 8.9 of the AES Agreement (provided, however, Party A shall not be required to incur any additional expense as a result), (iii) designate an alternate or additional Delivery Point with respect to any Designated Unit pursuant to Section 8.10 of the AES Agreement (provided, however, Party A shall not be required to incur any additional expense as a result), (iv) provide the AES Subsidiaries with any anticipated daily Unit forecast for each Designated Unit received from Party B, (v) approve or change any dispatch request with respect to the Designated Units, (vi) approve the schedule of Planned Outages for the Designated Units, any proposed 15-month Planned Outage Schedule for the Designated Units, any request for 24-hour approval and confirmation of a Planned Outage for the Designated Units, or any preferred outage dates for the Designated Units, (vii) direct Party A to make use of the maximum ramp rate in bidding spinning reserve as provided in Section 9.4(b) of the AES Agreement with respect to the Designated Units, (viii) direct Party A regarding operation of Designated Units with automatic generating control equipment in service pursuant to the last sentence of Section 9.3 of the AES Agreement, and (ix) take any other or similar actions under the AES Agreement to approve, consent, agree, direct or cause an AES Subsidiary to act with respect to the Designated Units. Notwithstanding the foregoing provisions or any other provision herein, in no event shall Party B have the right to direct Party A to amend the AES Agreement.

(c) In addition to obligations specified elsewhere herein, Party B shall with respect to the Designated Units: (i) provide to Party A a three-year unit forecast (or such shorter forecast if the remaining time in the Deliver Period is less than three (3) years) for run hours, megawatt hours, and starts, and (ii) to the extent applicable to Party B, comply with all CAISO and other

regulatory requirements related to dispatch and bidding, including without limitation any "must offer requirements".

(d) Party B shall treat as confidential any information provided by Party A to Party B hereunder with respect to the Designated Units to the extent that such information would be treated as confidential pursuant to Section 23.5 of the AES Agreement. If any person requests the disclosure of any such confidential information, Party B shall provide notice thereof to Party A as soon as reasonably possible after receipt by Party B of such request and if Party B is not California Department of Water Resources, Party B shall defend against any such request. If Party B is California Department of Water Resources, upon Party A's request, California Department of Water Resources shall use its reasonable efforts to assist Party A in defending against any such request, provided Party A shall reimburse Party B for its reasonable out of pocket expenses for such assistance.

Section 6. Gas. As further set forth in this Section 6, either Party A or Party B shall provide all Gas with respect to the Dispatch of any of the Designated Units as required by and in accordance with Article VI and Section 8.4 of the AES Agreement; provided, in no event shall Party A be deemed obligated to install additional Gas meters. Party A shall act as fuel manager hereunder for the Delivery Period.

(a) Initial Fuel Supply Period. During the Initial Fuel Supply Period, Party A will supply Gas to the Designated Units pursuant to the Initial Fuel Supply Plan. The Initial Fuel Supply Plan will provide information such that Party B can evaluate the expected cost of Gas needed to generate energy provided under this Schedule 1. Party A shall act in accordance with the Initial Fuel Supply Plan.

(b) Subsequent Fuel Supply Periods. At least ninety (90) Days prior to the commencement of each succeeding Fuel Supply Period, Party A shall provide for Party B's approval a proposed Fuel Supply Plan for the next succeeding Fuel Supply Period.

(c) Parties' Failure to Execute Fuel Supply Plan.

(i) In the event the Parties do not agree to a Fuel Supply Plan by sixty (60) Days prior to the next succeeding Fuel Supply Period, Party B may elect, at Party B's sole option, to provide, or cause to be provided, for the next succeeding Fuel Supply Period, as appropriate, Gas necessary to supply the Designated Units hereunder from Party B's own Gas purchases. Party B's election to provide, or cause to be provided, Gas to the Designated Units under this Section 6(c)(i) shall be expressed in writing to Party A no later than thirty (30) Days prior to the commencement of the next succeeding Fuel Supply Period.

(ii) If the Parties do not agree on a Fuel Supply Plan and Party B does not timely elect to provide Gas to the Designated Units from Party B's own Gas purchases pursuant to Section 6(c)(i), Party A will provide, pursuant to the Default Fuel Supply Plan, Gas necessary to supply the Designated Units hereunder during the next succeeding Fuel Supply Period, or until the Parties have agreed to and executed a Fuel Supply Plan for such Fuel Supply Period. However, in the event that the Parties are involved in good faith negotiations with respect to a Fuel Supply Plan for a Fuel Supply Period, then Party B may elect to, and upon making such election Party B

shall, provide Gas necessary to supply the Designated Units hereunder until (x) the Parties have agreed to and executed a Fuel Supply Plan for such Fuel Supply Period, (y) the Parties have discontinued negotiations with respect to the Fuel Supply Plan for such Fuel Supply Period, or (z) Party B has elected pursuant to Section 6(c)(i) to provide Gas to the Designated Units from Party B's own Gas purchases.

(iii) In the event the Parties have not agreed to and executed a Fuel Supply Plan, Party B has not elected to provide Gas to the Designated Units from Party B's own Gas purchases for the entire Fuel Supply Period pursuant to Section 6(c)(i), Party B has not elected to supply Gas from its own Gas purchases during continuing negotiations with respect to a Fuel Supply Plan pursuant to Section 6(c)(ii), and Party A is unable, using commercially reasonable efforts, at any time during the Fuel Supply Period, to provide Gas necessary to supply the Designated Units hereunder, then Party B will provide Gas necessary to supply the Designated Units hereunder. In the event Party A is unable to provide Gas necessary to supply the Designated Units hereunder, and Party B is unable to provide Gas necessary to supply the Designated Units hereunder, such inability to provide Gas shall constitute a Force Majeure.

(d) Party B Delivery of Gas Notwithstanding Agreed Fuel Supply Plan. If Party A is unable to provide Gas to the Designated Units during any Fuel Supply Period for which the Parties have executed a Fuel Supply Plan, Party B may provide Gas to the Designated Units.

(e) Extended-Term Obligations. The Parties acknowledge that any Fuel Supply Plan may include Extended-Term Obligations. Extended-Term Obligations may include, but are not limited to, long-term commitments for pipeline capacity, storage rights, or financial risk products pertaining to the commodity price (such as fixed prices, costless collars, basis purchases, caps, or other price management mechanisms). Any Extended-Term Obligation that the Parties specifically approve in a separate binding agreement shall be deemed effective and approved for the duration of the period to which it applies, regardless of whether such period extends beyond the term of any Fuel Supply Plan.

(f) Fuel Cost Responsibility. Party B shall be solely responsible, without reimbursement from Party A, for any costs or charges imposed on or associated with Gas it provides the Designated Units pursuant to Sections 6(c) or 6(d). In no event shall Party B pay more than one cent per decatherm for fuel manager's services. Party A shall cause AES to maintain all gas meters in good working order and in compliance with the requirements of the AES Agreement; provided, to the extent Party A is responsible for metering costs under the AES Agreement, Party B shall pay Party A for all such metering costs associated with the Designated Units and a pro rata share of costs associated with shared meters at the Facilities.

(g) Fuel Imbalances. The Parties shall use commercially reasonable efforts to avoid imposition of any Imbalance Charges. If Party A or Party B receives an invoice from a Transporter that includes Imbalance Charges, the Parties shall determine the validity as well as the cause of such Imbalance Charges. If the Imbalance Charges were incurred as a result of Party A's actions or inactions (which shall include, but not be limited to, Party A's failure to accept scheduled quantities of Gas), then Party A shall pay for such Imbalance Charges, or reimburse Party B for such Imbalance Charges paid by the Party B to the Transporter. If the Imbalance Charges were incurred as a result of Party B's actions or inactions (which shall

include, but shall not be limited to, Party B's failure to deliver scheduled quantities of Gas), then Party B shall pay for such Imbalance Charges, or reimburse Party A for such Imbalance Charges paid by the Party A to the Transporter. Any imbalance penalties require documentation of penalty assessment by a non-related third party applicable to the imbalance determination. Party B may direct Party A to use Party B's gas storage to minimize imbalances. Party B shall have the right to direct the fuel manager to use Party B's gas buying pool (including storage) to minimize imbalance charges to Party B. It is the Parties' intent that services provided by the fuel manager shall include balancing provisions within each month that offer no less benefit than the then-effective applicable local natural gas distribution utility tariff would provide for the same period for the Designated Units. Party A shall allow Party B to nominate through the fuel manager all Gas volumes required for Energy Dispatched by Party B and fuel manager shall be available to Party B to coordinate Party B's Gas activity for all four gas nomination cycles each Day. If a transporter curtailment is in existence during any period during which Party B is supplying Gas to the Designated Units, the available gas volumes under the transporter curtailment shall be apportioned between Party B and Party A in proportion to Party B's Energy Dispatched for that period and Party A's scheduled dispatch for that period.

(h) Curtailments. To the extent there is a curtailment of gas deliveries on the applicable transporters, the available gas volumes under the transporter curtailment shall be apportioned between Party B and Party A in proportion to the Party's respective dispatch schedules for the curtailment period.

(i) Authorization and Effectiveness of Fuel Plan as to Party B: Conflicts. Party B's acceptance of a Fuel Plan shall be evidenced by written acceptance thereof an authorized representative of Party B and upon acceptance thereof by such authorized representative Party B shall be bound by the terms of such Fuel Plan; provided, however, that such authorized representative of Party B shall not have any authority to agree to any terms and provisions of a Fuel Plan that conflict with the provisions of this Section 6 and in the event any Fuel Plan contains terms and provisions that conflict with this Section 6, such terms and provisions shall be void and the provisions of this Section 6 shall govern such Fuel Plan.

Section 7. Payments. (a) Each month of the Delivery Period of this Transaction, Party B shall, subject to the provisions of subsection (c) of this Section 7, pay to Party A, the following:

(i) the Capacity Payment, as adjusted pursuant to Section 8 and Section 12.

(ii) any Variable Payment applicable to the Designated Units payable in such month pursuant to Section 5.2 of the AES Agreement;

(iii) any Startup Payment applicable to the Designated Units payable in such month pursuant to Section 5.4 of the AES Agreement;

(iv) the Fuel Payment;

(v) any Additional Ancillary Services Payment applicable to the Designated Units payable in such month pursuant to Section 5.3 of the AES Agreement;

(vi) any amount payable in such month pursuant to Article VI of the AES Agreement, associated with the Designated Unit(s); and

(vii) the Scheduling Coordinator Fee.

(b) amounts payable pursuant to subsection (a) of this Section 7 shall be in addition to amounts payable by Party B to Party A pursuant to the Product D Master Agreement.

(c) Amounts payable in such month by Party B to Party A pursuant to subsection (a) of this Section 7 in each month shall be reduced by the following amounts:

(i) any amount paid or payable in such month by the AES Subsidiaries to Party A pursuant to Article VI of the AES Agreement, associated with the Designated Unit(s).

(ii) where Party A is serving as scheduling coordinator, an amount equal to $[A + B] - C$

Where,

A = Amounts paid or payable in such month to Party A by the CAISO for such month as a result of Party A acting as scheduling coordinator for the Designated Unit(s) in accordance with tariffs established by CAISO.

B = Amounts not otherwise already reflected in "A" above, paid or payable in such month to CAISO or withheld by CAISO from payments due Party A or Party B due to the negligence or willful misconduct of Party A or the breach by Party A of its scheduling coordinator agreement with respect to the Designated Unit(s).

C = Amounts paid or payable in such month by Party A as a result of Party A acting as scheduling coordinator for the Designated Unit(s) in accordance with tariffs established by CAISO.

(iii) where a MRA entered into pursuant to Section 8(f) with respect to the Designated Unit(s) is in effect, an amount equal to $[A + B + C] - [D + E + F]$

Where:

A = Amounts paid or payable in such month to Party A by the CAISO under the terms of any MRA with respect to the Designated Unit(s).

B = Amounts not otherwise already reflected in "A" above, paid or payable in such month by Party A to the CAISO with respect to the Designated Unit(s) under the terms of an MRA to the extent such amounts paid or payable in such month are due to the negligence or willful misconduct of Party A or the breach by Party A of such MRA.

C = Amounts not otherwise already reflected in "A" above, paid or payable in such month by the CAISO for Gas under such MRA with respect to

such Designated Unit(s) to the extent that such Gas has been has paid for by Party B or provided from storage by Party B or Party B is otherwise economically obligated with respect thereto.

D = Amounts paid or payable in such month by Party A to the CAISO with respect to the Designated Unit(s) under the terms of such MRA.

E = Amounts not otherwise already reflected in "D" above, paid or payable in such month to the AES Subsidiaries for capital improvements to such Designated Unit(s) to the extent such improvements were made with the approval of CAISO and added to the cost recovery formulae.

F = Amounts not otherwise already reflected in "D" above, paid or payable in such month by the CAISO for Gas under such MRA with respect to such Designated Unit(s) to the extent that such Gas has been has paid for by Party A or provided from storage by Party A or Party A is otherwise economically obligated with respect thereto.

(d) If in any month the amounts payable by Party B in a month is less than an amount of aggregate of reductions permitted to Party B under this Transaction, any portion of such reductions not made in such month shall be made in the following month(s); provided, however, that any reductions permitted to Party B which are not made in full by the month following the final month of the Delivery Period shall be settled in such month by a payment in the amount of the reduction not made from Party A to Party B.

Section 8. Reliability Provisions. (a) Non-Dispatch. Any amounts received (through payment or netting) from the AES Subsidiaries pursuant to Section 8.6 of the AES Agreement as the result of the Non-Dispatch of any Designated Unit shall be automatically netted against amounts payable by Party B to Party A pursuant to Section 7(a). Such pass through shall be in lieu of any liability of Party A to Party B pursuant to Article Four of the Product D Master Agreement with respect to delivery of energy hereunder by Party A. Party A shall not, without the approval of Party B, which shall not be unreasonable withheld, waive its right to receive any amounts from the AES Subsidiaries pursuant to Section 8.6 of the AES Agreement. To the extent required by the provisions of Section 8.6 of the AES Agreement to receive payment thereunder, Party B may, but shall not be obligated to, make such purchases and Party A shall not be required to make any purchases pursuant to said section with respect to any Dispatch Notice provided by Party B. Any amounts that Party A shall be obligated to pass through to Party B shall be net of (i) any amounts payable by Party A to CAISO which are the direct result of the failure of Party B to make any purchase required by Section 8.6 of the AES Agreement and which are not otherwise paid by the AES Subsidiaries, provided, however, in no event shall Party B be required to make a payment to Party A pursuant to this Section 8(a) and (ii), to the extent that Party A and the AES Subsidiaries apply the provisions of Section 8.6 of the AES Agreement to require actual purchases to be made in order for the AES Subsidiaries to be obligated to make a payment to Party A thereunder, any portion of a purchase price of a purchase made by Party B in excess of the price of a purchase made in a commercially reasonable manner.

(b) Capacity Payment Adjustments. (i) The Capacity Payment payable by Party B shall be adjusted pursuant to the provisions of Section 4.3 of the AES Agreement, except that Section 1.79 of the AES Agreement shall be replaced by the following with respect to the Designated Units:

"Non-Availability Discount" means, as of the end of each month, if a Unit's Year-to-Date Availability shall be less than its Guaranteed Availability, the amount computed in accordance with the following formula:

$$(GA-YTDA)/GA \times ((FP/12) \times ADC + BCP \times BDC) \times M \times \text{Shortfall Factor}$$

where: "GA" is Guaranteed Availability; "YTDA" is Year-to-Date Availability (except for periods prior to June 1, 2003, it shall be measured from the Start Date); "FP" is the Fixed Payment for such Unit (\$/kWyr.); "BCP" is the relevant dollar per kW-month rate for the Base Capacity Payment; "M" is the number of months elapsed in the then-current Contract Year (except for periods prior to June 1, 2003, it shall be measured from the Start Date); "ADC" is the additional capacity made available as defined in Section 1; "BDC" is Base Dependable Capacity; and the Shortfall Factor applicable to the amount of Availability Shortfall is determined from Schedule 4.3 of the AES Agreement. The term "Availability Shortfall" refers to (i) GA minus YTDA, divided by (ii) GA. For this formula, a negative numeric value (i.e., when YTDA is greater than GA) shall be treated as zero.

(ii) In the event of an Availability Shortfall under the AES Agreement with respect to a Designated Unit of less than 50 percent (50%) resulting in amounts payable by the AES Subsidiaries to Party A with respect to the Designated Units, Party A shall be obligated only to pass through to Party B (through payment or netting) any such amounts received (through payment or netting) from the AES Subsidiaries as the result of the application of Section 4.3 of the AES Agreement to the Designated Units, and in no event shall Party A be liable to Party B for an amount in excess of ten percent (10%) of the Fixed Payment for such Designated Unit.

(iii) Party A shall not otherwise be obligated to make payments or adjustments to Party B as the result of the operation of this subsection 8(b) related to such Capacity Payment. Adjustment of the Capacity Payment pursuant to this subsection 8(b) shall be in lieu of any liability of Party A to Party B pursuant to Article Four of the Product D Master Agreement with respect to Party A's providing capacity and ancillary services hereunder. Party A shall not, without the approval of Party B, which shall not be unreasonable withheld, waive its right to receive any amounts from the AES Subsidiaries pursuant to Section 4.3 of the AES Agreement.

(c) Availability Bonus.

(i) The Capacity Payment payable by Party B shall be increased by an amount (the "Availability Bonus") calculated as follows: if the Availability of any Designated Unit during Peak Times of any Designated Month (each, in respect of the relevant Designated Unit, the "Peak Time Unit Availability") is greater than 86%, then, subject to Section 8(c)(ii), the Availability Bonus for such Designated Unit in respect of such Designated Month shall equal:

For AL 1 \$4,039 multiplied by (Peak Time Unit Availability minus 86%),

- For AL 5 \$11,077 multiplied by (Peak Time Unit Availability minus 86%),
- For AL 6 \$11,077 multiplied by (Peak Time Unit Availability minus 86%),
- For HB 1 \$5,000 multiplied by (Peak Time Unit Availability minus 86%),
- For HB 2 \$5,000 multiplied by (Peak Time Unit Availability minus 86%), and
- For RB 6 \$4,008 multiplied by (Peak Time Unit Availability minus 86%).

If the Peak Time Unit Availability is less than 86% for a Designated Unit, then the Availability Bonus for such Designated Unit for such Designated Month shall be zero.

(ii) From the Start Date through calendar year 2004, Availability Bonus amounts calculated pursuant to Section 8(c)(i) shall be reduced by 50%.

(d) Contract Quantity Adjustments. In the event of (i) the exercise by AES Subsidiaries of the buyout rights with respect to a Designated Unit pursuant to Section 18.3 of the AES Agreement, or (ii) termination of all or a portion of the AES Agreement with respect to a Designated Unit(s) pursuant to Article XVIII of the AES Agreement, or (iii) termination of this Agreement with respect to a Designated Unit pursuant to Section 5.8 of the Product D Master Agreement or Section 12(a) of this Transaction, such Designated Units shall be deleted from the Contract Quantity and Party B's obligations hereunder with respect to such Contract Quantity correspondingly reduced. Party B shall not be entitled to receive any payment payable by the AES Subsidiaries to Party A pursuant to Section 18.3 of the AES Agreement.

(e) CAISO Stage Emergencies. For any hour in which a CAISO stage emergency alert has been issued or remains in effect, if, after the close of the CAISO hour-ahead scheduling window for such hour, Party A has uncommitted energy and/or capacity available from its Facilities other than the Designated Units, unless otherwise required by the CAISO or the FERC, Party A shall bid such uncommitted energy and capacity from all such Facilities into the CAISO imbalance energy market or shall otherwise make such capacity or energy available to CAISO pursuant to any applicable CAISO tariff provisions, provided, the foregoing shall not be construed to prohibit Party A from also bidding Ancillary Services into the CAISO market. From time to time (but not more frequently than monthly) at Party B's request, for the purposes of determining compliance with this subsection 8(e), Party A shall provide Party B information reasonably satisfactory to Party B in sufficient detail to enable Party B to verify that undelivered energy and/or capacity from such Facilities was previously sold, scheduled, and/or bid into the CAISO imbalance energy market or has otherwise been made available to CAISO pursuant to any applicable CAISO tariff provisions.

(f) Reliability Must-Run Agreements. (i) Notwithstanding any provision herein, Party B's rights and obligations shall at all times be subject to any MRA applicable to any Designated Unit.

(ii) (A) For any calendar year after 2003, to the extent that any Designated Unit may be subject to any MRA (a "MRA Designated Unit"), Party A may, subject to the limitations set forth in this subsection (f), designate alternate Unit(s) with Dependable Capacity approximately equal to the Base Dependable Capacity for such calendar year, at least sixth (60) days prior to the date established for entering into the MRA for such MRA Designated Unit. If Party A in fact designates such alternate Unit(s) and the Designated Unit in question in fact become subject to a MRA for such calendar year, the alternate Unit(s) designated by Party A pursuant to this subsection (f)(ii) shall be the Designated Unit for all purposes of this Transaction for such calendar year and the MRA Designated Unit shall not be treated as a Designated Unit for the purposes of this Transaction for such calendar year. For the purposes of this Transaction, the Dependable Capacity as set forth in Schedule 4.1 to the AES Agreement for any alternate Unit(s) designated pursuant to this subsection (f)(ii) shall be the Base Dependable Capacity and ADC shall be the Dependable Capacity in excess thereof.

(B) Any alternate Unit designated pursuant to this subsection (f)(ii) must be an entire alternate Unit.

(C) Any alternate Unit designated pursuant to this subsection (f)(ii) shall not be subject to a Force Majeure claim at the time designated or any other Unit specific encumbrance to which the MRA Designated Unit is not subject that would prevent Party B from realizing the benefits of this Transaction.

(D) Any designation of a alternate Unit(s) pursuant to this subsection (f)(ii) shall be subject to Party B's reasonable approval; provided, however, that Party A shall not designate AL 7 or HB 5. It is the intention of the Parties that any alternate Unit designated shall be of at least equal performance as the MRA Designated Unit.

(iii) In the event alternate Unit(s) are not designated by Party A with respect to a MRA Designated Unit pursuant to subsection (f)(ii) for any reason, Party A may, but shall not be obligated to enter into a MRA with respect to such MRA Designated Unit. Party A shall notify Party B of its intention to enter into such MRA with respect to a MRA Designated Unit at least thirty (30) days prior to the date established for entering into such MRA for such MRA Designated Unit. The terms and provisions of any such MRA shall be subject to Party B's reasonable approval. Party B acknowledges and agrees that even if a Designated Unit at a Facility is not under an MRA, Party A may have a alternate Unit which is not a Designated Unit under MRA at that Facility.

(iv) In the event that Party A does not either designate alternate Unit(s) with respect to a MRA Designated Unit pursuant to subsection (f)(ii) or elect to enter into a MRA with respect to a MRA Designated Unit pursuant to subsection (f)(iii) for any reason, Party B may directly enter into any MRA with respect to a Designated Unit. Party B shall not propose any Discretionary Capital Expenditures to the CAISO pursuant to the MRA unless (1) the Party A shall be reasonably compensated for such Discretionary Capital Expenditures, and (2) in Party A's reasonable judgment, the implementation of such Discretionary Capital Expenditure shall not have a material adverse effect on Party A. Party B shall comply with the terms and provisions of any MRA.

Section 9. Inspection Rights. Upon request of Party B, Party A will exercise all inspection rights under the AES Agreement on behalf of Party B and with such personnel as Party B may reasonably designate.

Section 10. Scheduling Coordinator. Party A shall serve as scheduling coordinator for the Designated Units. Party B shall be required to pay the Scheduling Coordinator Fee only so long as Party A is the scheduling coordinator. Party B may become scheduling coordinator for the Designated Units upon not less than sixty (60) days prior written notice to Party A, at no additional cost to Party B; provided that Party B shall negotiate reasonable provisions to protect Party A while Party B serves as scheduling coordinator. In the event Party A and Party B cannot agree on such provisions within thirty (30) days of the notice referred to above, the Party A and Party B shall resolve any disagreement by binding arbitration pursuant to Section 15. It is the intent of the Parties that Party B acting in the capacity of scheduling coordinator hereunder not be able to cause Party A to be in default under the AES Agreement with respect to the Designated Units.

Section 11. Amendment, Assignment of the AES Agreement. Party A shall provide a copy of any proposed amendment or waiver of the provisions of the AES Agreement to Party B and (except with respect to waivers under Section 8(a) or 8(b)) not fewer than thirty (30) days prior to the effective date of such amendment or waiver. Except as provided in Section 8(a) or 8(b), Party A shall not agree to any amendment of, or waiver of any of Party A's rights pursuant to, the AES Agreement with respect to the Designated Units or any Unit that may become a Designated Unit during the Delivery Period without the written approval of Party B, which shall not be unreasonably withheld. Party B shall provide written approval or specify the reason for the withholding thereof as soon as reasonably possible after receipt of notice of any proposed amendment or waiver. Party A shall not assign the AES Agreement without simultaneously assigning this Agreement to the same party in accordance with the provisions of Section 10.5 of the Product D Master Agreement.

Section 12. Additional Termination Right; Event of Default.

(a) Termination for Availability Shortfall. If, after June 1, 2003, the average Availability of all Designated Units shall be below 70% for any two consecutive six month periods of May through October, (i) the relevant dollar per kW-month rate for the Capacity Payment for Designated Unit with the lowest availability shall be divided by two for the one (1) year period immediately following such shortfall, and (ii) Party B shall be entitled to terminate this Product D Transaction with respect to such Designated Unit if the average Availability of such Designated Unit is below its Guaranteed Availability during such one (1) year period following such shortfall. In the event of early termination under this Section 12, the MW allocable to such Designated Unit shall be deleted from the Contract Quantity for Product D and neither Party shall be liable to the other for the payment of damages related to such early termination.

(b) Additional Event of Default. Except as provided in Section 3(a), Party A shall not for economic reasons intentionally and without reasonable belief that such action was excused or otherwise permitted:

(i) dispatch any of the Designated Units for sale or delivery of energy to any Person other than Party B, including in cases where Party B does not Dispatch a Designated Unit; or

(ii) enter into sale or commitment of capacity of a Designated Unit during the Delivery Period to any Person other than Party B.

Upon the first or second violation of this subsection 12(b), other than during a CAISO stage emergency alert, Party A shall terminate any transaction resulting in such violation and shall pay to Party B as liquidated damages and not as a penalty 5 times the amount payable to Party A under any such transaction.

A third violation of this subsection 12(b) or any violation during a CAISO stage emergency alert, shall constitute an Event of Default and Party B shall be entitled to damages set forth in Article V of the Product D Master Agreement.

Section 13. Confidential Information. The Parties agree, as soon as is practicable, but no later than twelve (12) months after the effective date of this Agreement, to take such action as is necessary to ensure the protection of confidential business information from one another and shall establish protective barriers and procedures to ensure that sensitive non-public operational and bidding information is shielded from the Parties respective marketing and trading personnel.

Section 14. Operations Committee. (a) Party A and Party B shall each designate a person to address implementation of this Transaction. The Operations Committee may adopt such procedures it considers necessary or appropriate for its operations. The Operations Committee shall meet from time to time as it deems necessary.

(b) Issues the Operations Committee will address include:

COMMUNICATION PROTOCOLS

- Contact lists
- Job responsibilities
- Fax numbers
- Emergency communications
- Dispatch Notices

DATA EXCHANGE

- Gas
- Power
- Real-time (instantaneous) data
- Telemetry issues

SCHEDULING AND DISPATCH PROCEDURES

- Format
- Notifications (schedule changes, unit status)

(c) The responsibilities and authority of the Operations Committee shall be limited to the development of operating procedures and shall not include altering any terms of this Agreement. Failure of the Operations Committee to reach agreement shall in no event excuse either Party A or Party B of its obligations hereunder.

Section 15. Arbitration. The Parties agree to resolve the specific matters set forth in Section 3(d)(iii) or Section 10 by binding arbitration. Arbitration shall be conducted in accordance with the Complex Commercial Arbitration Rules of the American Arbitration Association. The validity, construction, and interpretation of this agreement to arbitrate, and all procedural aspects of the arbitration conducted pursuant hereto shall be decided by the arbitrators. In deciding the substance of the Parties' claims, the arbitrators shall refer to California law. It is agreed that the arbitrators shall be limited solely to resolving the matters specifically set for in either Section 3(d)(iii) or Section 10. The arbitrators shall have no authority to take any other action or provide any remedy, including, but limited to, the award of damages, under either Section 3(d)(iii) or Section 10 or to consider any matter or dispute hereunder not specifically referred to in said Section 3(d)(iii) or Section 10. The arbitration proceeding shall be conducted in Los Angeles, California. Within twenty (20) days of the notice of initiation of the arbitration procedure, the respondent shall file a response in writing. Within thirty (30) days after the response, each party shall select one arbitrator. Within twenty (20) days thereafter, the two (2) arbitrators shall select a third arbitrator. All three arbitrators are required to be neutral and impartial and shall take an oath at the first session of the arbitration affirming same. None of the three arbitrators shall have business, professional or social relationships with any of the parties. However, upon full disclosure of such relationships, all parties may agree that the arbitrator may serve as an arbitrator. The arbitration shall proceed within sixty (60) days after the appointment of the last of the three arbitrators. The arbitrators shall render their decision (by majority rule) within twenty (20) days after the conclusion of the arbitration. California law shall apply to the subject matter of the arbitration.

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Appendix A
AES Agreement

Appendix B

Default Fuel Supply Plan

Party A will obtain and deliver quantities of Gas to the Designated Units as nominated by Party B on a day-ahead basis, and shall manage all intra-day nomination changes in accordance with the Gas local distribution company ("LDC") nomination procedures, all as further set forth below.

(1) Maximum Daily Quantity. For each day of delivery, Party B will nominate a quantity of Gas for the Designated Units pursuant to (4) below. In no event will Party A be obligated to supply Gas other than with respect to the Designated Units.

(2) Gas Price. For each day of delivery, Gas Daily, Daily Price survey under heading, So Cal Border Index Midpoint, plus \$0.05 per MMBtu.

(3) Commodity Billing Determinant/Payment Obligation. Each month following delivery of Gas, Party A shall bill Party B, and Party B shall pay for Gas an amount equal to the sum of the amount for each day in such month equal to the Gas Price multiplied by the Nomination Amount for such day. Party B shall also be responsible for payment of commodity charges (e.g., the cost of additional gas purchased as a result of under-nomination in excess of any applicable imbalance tolerance for any imbalance period) and losses (e.g., the loss on sale of gas purchased but not burned as a result of over-nomination in excess of any imbalance tolerance for any applicable imbalance period) and penalties associated with imbalances as provided below.

(4) Nomination and Notification Requirements. For each day of delivery, (a) Party B shall nominate to Party A its estimated Gas requirements for the Designated Units for the upcoming 24-hour period during each such day by 8:45 AM Central Standard Time on the Business Day prior to such day of delivery (or such earlier time as may be required pursuant to pipeline tariff, regulation, or practices).

(b) Party B shall nominate equal volumes for each day during multiple day periods, such as weekends and Holidays.

(c) Party B shall communicate changes in the operation and dispatch of the Designated Units to Party A throughout the day and Party A shall make corresponding intra-day Gas nomination changes in accordance with the LDC nomination procedures (as finally adjusted for a day, the "Nomination Amount").

(5) Transportation. Party A will obtain any required transportation to supply Gas to the Designated Units and will manage such transportation. All transportation charges associated with the Gas supply to the Designated Units will be paid by Party B.

(6) Imbalances. Party B will pay all imbalance penalties (plus commodity charges not included in such penalties) associated with the Designated Units. Party A will use its commercially reasonable efforts to mitigate such imbalances. Party B will be subject to the then

applicable balancing provisions (including OFO provisions) of the LDC tariff for the applicable balancing period based upon the difference, if any, between the aggregate of the applicable Nomination Amounts for each day of an applicable balancing period and the actual burn volumes for the Designated Units for each day of such period; provided Party B shall not be entitled to the benefit of Party A's imbalance accounts attributable to a Unit that is not a Designated Unit. If at any time Party B desires to reduce an imbalance, or the current balancing provisions are not sufficient to accommodate variances between the actual burn and nomination, Party B may take any action it deems necessary to correct or reduce an imbalance, including, but not limited to, requesting Party A to provide a market price (either directly or from third parties) for disposition of the variance (through a Gas purchase or sale). Upon such request, Party A shall provide such market price and effect such purchase or sale.

(7) Fuel Payment. Amounts payable pursuant to the provisions of this Schedule shall constitute the amounts payable pursuant to clause (b) of the definition of Fuel Payment. Nothing herein shall affect Party B's obligations to make the payment required by clause (a) of the definition of Fuel Payment.

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Appendix C

Initial Fuel Supply Plan

Party A will obtain and deliver quantities of Gas to the Designated Units as nominated by Party B on a day-ahead basis, and shall manage all intra-day nomination changes in accordance with the Gas local distribution company ("LDC") nomination procedures, all as further set forth below.

(1) Maximum Daily Quantity. For each day of delivery, Party B will nominate a quantity of Gas for the Designated Units pursuant to (4) below. In no event will Party A be obligated to supply Gas other than with respect to the Designated Units.

(2) Gas Price. For each day of delivery, Gas Daily, Daily Price survey under heading, So Cal Border Index Midpoint, plus \$0.01 per MMBtu.

(3) Commodity Billing Determinant/Payment Obligation. Each month following delivery of Gas, Party A shall bill Party B, and Party B shall pay for Gas an amount equal to the sum of the amount for each day in such month equal to the Gas Price multiplied by the Nomination Amount for such day. Party B shall also be responsible for payment of commodity charges (e.g., the cost of additional gas purchased as a result of under-nomination in excess of any applicable imbalance tolerance for any imbalance period) and losses (e.g., the loss on sale of gas purchased but not burned as a result of over-nomination in excess of any applicable imbalance tolerance for any imbalance period) and penalties associated with imbalances as provided below.

(4) Nomination and Notification Requirements. For each day of delivery, (a) Party B shall nominate to Party A its estimated Gas requirements for the Designated Units for the upcoming 24-hour period during each such day by 8:45 AM Central Standard Time on the Business Day prior to such day of delivery (or such earlier time as may be required pursuant to pipeline tariff, regulation, or practices).

(b) Party B shall nominate equal volumes for each day during multiple day periods, such as weekends and Holidays.

(c) Party B shall communicate changes in the operation and dispatch of the Designated Units to Party A throughout the day and Party A shall make corresponding intra-day Gas nomination changes in accordance with the LDC nomination procedures (as finally adjusted for a day, the "Nomination Amount").

(5) Transportation. Party A will obtain any required transportation to supply Gas to the Designated Units and will manage such transportation. All transportation charges associated with the Gas supply to the Designated Units will be paid by Party B.

(6) Imbalances. Party B will pay all imbalance penalties (plus commodity charges not included in such penalties) associated with the Designated Units. Party A will use its commercially reasonable efforts to mitigate such imbalances. Party B will be subject to the then

applicable balancing provisions (including OFO provisions) of the LDC tariff for the applicable balancing period based upon the difference, if any, between the aggregate of the applicable Nomination Amounts for each day of an applicable balancing period and the actual burn volumes for the Designated Units for each day of such period; provided Party B shall not be entitled to the benefit of Party A's imbalance accounts attributable to a Unit that is not a Designated Unit. If at any time Party B desires to reduce an imbalance, or the current balancing provisions are not sufficient to accommodate variances between the actual burn and nomination, Party B may take any action it deems necessary to correct or reduce an imbalance, including, but not limited to, requesting Party A to provide a market price (either directly or from third parties) for disposition of the variance (through a Gas purchase or sale). Upon such request, Party A shall provide such market price and effect such purchase or sale.

(7) Fuel Payment. Amounts payable pursuant to the provisions of this Schedule shall constitute the amounts payable pursuant to clause (b) of the definition of Fuel Payment. Nothing herein shall affect Party B's obligations to make the payment required by clause (a) of the definition of Fuel Payment.

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Schedule 3.2 (iii)

Gas Contract

Base Contract for Sale and Purchase of Natural Gas

This Base Contract is entered into as of the following date: November 11, 2002. The parties to this Base Contract are the following:

State of California Department of Water Resources
separate and apart from its powers and responsibilities
with respect to the State Water Resources
Development System

Duns Number: 02-480-6957
Contract Number: _____
U.S. Federal Tax ID Number: 52-1692634

and **Williams Energy Marketing & Trading Company**

Duns Number: _____
Contract Number: _____
U.S. Federal Tax ID Number: _____

Notices:

California Department of Water Resources/CERS
3310 El Camino Avenue, Suite 120, Sacramento CA 95821
Attn: Executive Manager Power Systems
Phone: (916) 574-0339 Fax: (916) 574-2512

Williams Energy Marketing & Trading Company
P.O. Box 2848, MD WRC-2-6, Tulsa, OK 74101-2848
Attn: Contract Management
Phone: (918) 573-4188 Fax: (918) 732-0269

Confirmations

Attn: _____
Phone: _____ Fax: _____

Williams Energy Marketing & Trading Company
P.O. Box 2848, MD 41-3, Tulsa, OK 74101-2848
Attn: Assistant General Counsel
Phone: (918) 573-2459 Fax: (918) 573-6928

Invoices and Payments

DWR/CERS Settlements Unit

Attn: Doreen Singh
Phone: (916) 574-0309 Fax: (916) 574-1239

Williams Energy Marketing & Trading Company
Attn: Natural Gas Confirmations Analyst
Phone: (918) 573-1409 Fax: (918) 732-0247

Wire Transfer or ACH Numbers (if applicable):

BANK: _____
ABA: _____
ACCT: _____
Other Details: for Dept. of Water Resources

Williams Energy Marketing & Trading Company
Attn: EMT Gas & Power Operations Accounting
Phone: (918) 573-6242 Fax: (918) 573-1965

BANK: _____
ABA: _____
ACCT: _____
Other Details: _____


This Base Contract incorporates by reference for all purposes the General Terms and Conditions for Sale and Purchase of Natural Gas published by the North American Energy Standards Board. The parties hereby agree to the following provisions offered in said General Terms and Conditions. In the event the parties fail to check a box, the specified default provision shall apply. Select only one box from each section:

Section 1.2 Transaction Procedure	<input type="checkbox"/> Oral (default) <input checked="" type="checkbox"/> Written	Section 7.2 Payment Date	<input checked="" type="checkbox"/> 25 th Day of Month following Month of delivery. <input type="checkbox"/> _____ Day of Month following Month of delivery
Section 2.5 Confirm Deadline	<input checked="" type="checkbox"/> 2 Business Days after receipt (default) <input type="checkbox"/> 5 Business Days after receipt	Section 7.2 Method of Payment	<input checked="" type="checkbox"/> Wire transfer (default) <input type="checkbox"/> Automated Clearinghouse Credit (ACH) <input type="checkbox"/> Check
Section 2.6 Confirming Party	<input type="checkbox"/> Seller (default) <input type="checkbox"/> Buyer <input checked="" type="checkbox"/> Both	Section 7.7 Netting	<input checked="" type="checkbox"/> Netting applies (default) <input type="checkbox"/> Netting does not apply
Section 3.2 Performance Obligation	<input checked="" type="checkbox"/> Cover Standard (default) <input type="checkbox"/> Spot Price Standard	Section 10.3.1 Early Termination Damages	<input checked="" type="checkbox"/> Early Termination Damages Apply (default) <input type="checkbox"/> Early Termination Damages Do Not Apply
Note: The following Spot Price Publication applies to both of the immediately preceding.		Section 10.3.2 Other Agreement Setoffs	<input type="checkbox"/> Other Agreement Setoffs Apply (default) <input checked="" type="checkbox"/> Other Agreement Setoffs Do Not Apply
Section 2.26 Spot Price Publication	<input checked="" type="checkbox"/> Gas Daily Midpoint (default) <input type="checkbox"/> _____	Section 14.5 Choice Of Law	<u>California</u>
Section 6 Taxes	<input checked="" type="checkbox"/> Buyer Pays At and After Delivery Point (default) <input type="checkbox"/> Seller Pays Before and At Delivery Point	Section 14.10 Confidentiality	<input type="checkbox"/> Confidentiality applies (default) <input checked="" type="checkbox"/> Confidentiality does not apply
<input checked="" type="checkbox"/> Special Provisions Number of sheets attached: 7 <input type="checkbox"/> Addendum(s): _____			

IN WITNESS WHEREOF, the parties hereto have executed this Base Contract in duplicate.

California Department of Water Resources

Party Name

By 
Name: Peter S. GARRIS
Title: Deputy Director

Party Name

By _____
Name: _____
Title: _____

General Terms and Conditions
Base Contract for Sale and Purchase of Natural Gas

SECTION 1. PURPOSE AND PROCEDURES

1.1. These General Terms and Conditions are intended to facilitate purchase and sale transactions of Gas on a Firm or Interruptible basis. "Buyer" refers to the party receiving Gas and "Seller" refers to the party delivering Gas. The entire agreement between the parties shall be the Contract as defined in Section 2.7.

The parties have selected either the "Oral Transaction Procedure" or the "Written Transaction Procedure" as indicated on the Base Contract.

Oral Transaction Procedure:

1.2. The parties will use the following Transaction Confirmation procedure. Any Gas purchase and sale transaction may be effectuated in an EDI transmission or telephone conversation with the offer and acceptance constituting the agreement of the parties. The parties shall be legally bound from the time they so agree to transaction terms and may each rely thereon. Any such transaction shall be considered a "writing" and to have been "signed". Notwithstanding the foregoing sentence, the parties agree that Confirming Party shall, and the other party may, confirm a telephonic transaction by sending the other party a Transaction Confirmation by facsimile, EDI or mutually agreeable electronic means within three Business Days of a transaction covered by this Section 1.2 (Oral Transaction Procedure) provided that the failure to send a Transaction Confirmation shall not invalidate the oral agreement of the parties. Confirming Party adopts its confirming letterhead or the like as its signature on any Transaction Confirmation as the identification and authentication of Confirming Party. If the Transaction Confirmation contains any provisions other than those relating to the commercial terms of the transaction (i.e., price, quantity, performance obligation, delivery point, period of delivery and/or transportation conditions) which modify or supplement the Base Contract or General Terms and Conditions of this Contract (e.g., arbitration or additional representations and warranties), such provisions shall not be deemed to be accepted pursuant to Section 1.3 but must be expressly agreed to by both parties; provided that the foregoing shall not invalidate any transaction agreed to by the parties.

Written Transaction Procedure:

1.2. The parties will use the following Transaction Confirmation procedure. Should the parties come to an agreement regarding a Gas purchase and sale transaction for a particular Delivery Period, the Confirming Party shall, and the other party may, record that agreement on a Transaction Confirmation and communicate such Transaction Confirmation by facsimile, EDI or mutually agreeable electronic means, to the other party by the close of the Business Day following the date of agreement. The parties acknowledge that their agreement will not be binding until the exchange of nonconflicting Transaction Confirmations or the passage of the Confirm Deadline without objection from the receiving party, as provided in Section 1.3.

1.3. If a sending party's Transaction Confirmation is materially different from the receiving party's understanding of the agreement referred to in Section 1.2, such receiving party shall notify the sending party via facsimile, EDI or mutually agreeable electronic means by the Confirm Deadline, unless such receiving party has previously sent a Transaction Confirmation to the sending party. The failure of the receiving party to so notify the sending party in writing by the Confirm Deadline constitutes the receiving party's agreement to the terms of the transaction described in the sending party's Transaction Confirmation. If there are any material differences between timely sent Transaction Confirmations governing the same transaction, then neither Transaction Confirmation shall be binding until or unless such differences are resolved including the use of any evidence that clearly resolves the differences in the Transaction Confirmations. In the event of a conflict among the terms of (i) a binding Transaction Confirmation pursuant to Section 1.2, (ii) the oral agreement of the parties which may be evidenced by a recorded conversation, where the parties have selected the Oral Transaction Procedure of the Base Contract, (iii) the Base Contract, and (iv) these General Terms and Conditions, the terms of the documents shall govern in the priority listed in this sentence.

1.4. The parties agree that each party may electronically record all telephone conversations with respect to this Contract between their respective employees, without any special or further notice to the other party. Each party shall obtain any necessary consent of its agents and employees to such recording. Where the parties have selected the Oral Transaction Procedure in Section 1.2 of the Base Contract, the parties agree not to contest the validity or enforceability of telephonic recordings entered into in accordance with the requirements of this Base Contract. However, nothing herein shall be construed as a waiver of any objection to the admissibility of such evidence.

SECTION 2. DEFINITIONS

The terms set forth below shall have the meaning ascribed to them below. Other terms are also defined elsewhere in the Contract and shall have the meanings ascribed to them herein.

IN WITNESS WHEREOF, the parties hereto have executed this Base Contract in duplicate.

Party Name

Williams Energy Marketing & Trading Company

Party Name

By
Name:
Title:

By
Name: William E. Hobbs
Title: President and CEO



General Terms and Conditions Base Contract for Sale and Purchase of Natural Gas

SECTION 1. PURPOSE AND PROCEDURES

1.1. These General Terms and Conditions are intended to facilitate purchase and sale transactions of Gas on a Firm or Interruptible basis. "Buyer" refers to the party receiving Gas and "Seller" refers to the party delivering Gas. The entire agreement between the parties shall be the Contract as defined in Section 2.7.

The parties have selected either the "Oral Transaction Procedure" or the "Written Transaction Procedure" as indicated on the Base Contract.

Oral Transaction Procedure:

1.2. The parties will use the following Transaction Confirmation procedure. Any Gas purchase and sale transaction may be effectuated in an EDI transmission or telephone conversation with the offer and acceptance constituting the agreement of the parties. The parties shall be legally bound from the time they so agree to transaction terms and may each rely thereon. Any such transaction shall be considered a "writing" and to have been "signed". Notwithstanding the foregoing sentence, the parties agree that Confirming Party shall, and the other party may, confirm a telephonic transaction by sending the other party a Transaction Confirmation by facsimile, EDI or mutually agreeable electronic means within three Business Days of a transaction covered by this Section 1.2 (Oral Transaction Procedure) provided that the failure to send a Transaction Confirmation shall not invalidate the oral agreement of the parties. Confirming Party adopts its confirming letterhead, or the like, as its signature on any Transaction Confirmation as the identification and authentication of Confirming Party. If the Transaction Confirmation contains any provisions other than those relating to the commercial terms of the transaction (i.e., price, quantity, performance obligation, delivery point, period of delivery and/or transportation conditions), which modify or supplement the Base Contract or General Terms and Conditions of this Contract (e.g., arbitration or additional representations and warranties), such provisions shall not be deemed to be accepted pursuant to Section 1.3 but must be expressly agreed to by both parties; provided that the foregoing shall not invalidate any transaction agreed to by the parties.

Written Transaction Procedure:

1.2. The parties will use the following Transaction Confirmation procedure. Should the parties come to an agreement regarding a Gas purchase and sale transaction for a particular Delivery Period, the Confirming Party shall, and the other party may, record that agreement on a Transaction Confirmation and communicate such Transaction Confirmation by facsimile, EDI or mutually agreeable electronic means, to the other party by the close of the Business Day following the date of agreement. The parties acknowledge that their agreement will not be binding until the exchange of nonconflicting Transaction Confirmations or the passage of the Confirm Deadline without objection from the receiving party, as provided in Section 1.3.

1.3. If a sending party's Transaction Confirmation is materially different from the receiving party's understanding of the agreement referred to in Section 1.2, such receiving party shall notify the sending party via facsimile, EDI or mutually agreeable electronic means by the Confirm Deadline, unless such receiving party has previously sent a Transaction Confirmation to the sending party. The failure of the receiving party to so notify the sending party in writing by the Confirm Deadline constitutes the receiving party's agreement to the terms of the transaction described in the sending party's Transaction Confirmation. If there are any material differences between timely sent Transaction Confirmations governing the same transaction, then neither Transaction Confirmation shall be binding until or unless such differences are resolved including the use of any evidence that clearly resolves the differences in the Transaction Confirmations. In the event of a conflict among the terms of (i) a binding Transaction Confirmation pursuant to Section 1.2, (ii) the oral agreement of the parties which may be evidenced by a recorded conversation, where the parties have selected the Oral Transaction Procedure of the Base Contract, (iii) the Base Contract, and (iv) these General Terms and Conditions, the terms of the documents shall govern in the priority listed in this sentence.

1.4. The parties agree that each party may electronically record all telephone conversations with respect to this Contract between their respective employees, without any special or further notice to the other party. Each party shall obtain any necessary consent of its agents and employees to such recording. Where the parties have selected the Oral Transaction Procedure in Section 1.2 of the Base Contract, the parties agree not to contest the validity or enforceability of telephonic recordings entered into in accordance with the requirements of this Base Contract. However, nothing herein shall be construed as a waiver of any objection to the admissibility of such evidence.

SECTION 2. DEFINITIONS

The terms set forth below shall have the meaning ascribed to them below. Other terms are also defined elsewhere in the Contract and shall have the meanings ascribed to them herein.

- 2.1. "Alternative Damages" shall mean such damages, expressed in dollars or dollars per MMBtu, as the parties shall agree upon in the Transaction Confirmation, in the event either Seller or Buyer fails to perform a Firm obligation to deliver Gas in the case of Seller or to receive Gas in the case of Buyer.
- 2.2. "Base Contract" shall mean a contract executed by the parties that incorporates these General Terms and Conditions by reference; that specifies the agreed selections of provisions contained herein; and that sets forth other information required herein and any Special Provisions and addendum(s) as identified on page one.
- 2.3. "British thermal unit" or "Btu" shall mean the International BTU, which is also called the Btu (IT).
- 2.4. "Business Day" shall mean any day except Saturday, Sunday or Federal Reserve Bank holidays.
- 2.5. "Confirm Deadline" shall mean 5:00 p.m. in the receiving party's time zone on the second Business Day following the Day a Transaction Confirmation is received or, if applicable, on the Business Day agreed to by the parties in the Base Contract; provided, if the Transaction Confirmation is time stamped after 5:00 p.m. in the receiving party's time zone, it shall be deemed received at the opening of the next Business Day.
- 2.6. "Confirming Party" shall mean the party designated in the Base Contract to prepare and forward Transaction Confirmations to the other party.
- 2.7. "Contract" shall mean the legally-binding relationship established by (i) the Base Contract, (ii) any and all binding Transaction Confirmations and (iii) where the parties have selected the Oral Transaction Procedure in Section 1.2 of the Base Contract, any and all transactions that the parties have entered into through an EDI transmission or by telephone, but that have not been confirmed in a binding Transaction Confirmation.
- 2.8. "Contract Price" shall mean the amount expressed in U.S. Dollars per MMBtu to be paid by Buyer to Seller for the purchase of Gas as agreed to by the parties in a transaction.
- 2.9. "Contract Quantity" shall mean the quantity of Gas to be delivered and taken as agreed to by the parties in a transaction.
- 2.10. "Cover Standard" as referred to in Section 3.2 shall mean that if there is an unexcused failure to take or deliver any quantity of Gas pursuant to this Contract, then the performing party shall use commercially reasonable efforts to (i) if Buyer is the performing party, obtain Gas, (or an alternate fuel if elected by Buyer and replacement Gas is not available), or (ii) if Seller is the performing party, sell Gas, in either case, at a price reasonable for the delivery or production area, as applicable, consistent with: the amount of notice provided by the nonperforming party; the immediacy of the Buyer's Gas consumption needs or Seller's Gas sales requirements, as applicable; the quantities involved; and the anticipated length of failure by the nonperforming party.
- 2.11. "Credit Support Obligation(s)" shall mean any obligation(s) to provide or establish credit support for, or on behalf of, a party to this Contract such as an irrevocable standby letter of credit, a margin agreement, a prepayment, a security interest in an asset, a performance bond, guaranty, or other good and sufficient security of a continuing nature.
- 2.12. "Day" shall mean a period of 24 consecutive hours, coextensive with a "day" as defined by the Receiving Transporter in a particular transaction.
- 2.13. "Delivery Period" shall be the period during which deliveries are to be made as agreed to by the parties in a transaction.
- 2.14. "Delivery Point(s)" shall mean such point(s) as are agreed to by the parties in a transaction.
- 2.15. "EDI" shall mean an electronic data interchange pursuant to an agreement entered into by the parties, specifically relating to the communication of Transaction Confirmations under this Contract.
- 2.16. "EFP" shall mean the purchase, sale or exchange of natural Gas as the "physical" side of an exchange for physical transaction involving gas futures contracts. EFP shall incorporate the meaning and remedies of "Firm", provided that a party's excuse for nonperformance of its obligations to deliver or receive Gas will be governed by the rules of the relevant futures exchange regulated under the Commodity Exchange Act.
- 2.17. "Firm" shall mean that either party may interrupt its performance without liability only to the extent that such performance is prevented for reasons of Force Majeure; provided, however, that during Force Majeure interruptions, the party invoking Force Majeure may be responsible for any Imbalance Charges as set forth in Section 4.3 related to its interruption after the nomination is made to the Transporter and until the change in deliveries and/or receipts is confirmed by the Transporter.
- 2.18. "Gas" shall mean any mixture of hydrocarbons and noncombustible gases in a gaseous state consisting primarily of methane.
- 2.19. "Imbalance Charges" shall mean any fees, penalties, costs or charges (in cash or in kind) assessed by a Transporter for failure to satisfy the Transporter's balance and/or nomination requirements.
- 2.20. "Interruptible" shall mean that either party may interrupt its performance at any time for any reason, whether or not caused by an event of Force Majeure, with no liability, except such interrupting party may be responsible for any Imbalance Charges as set forth in Section 4.3 related to its interruption after the nomination is made to the Transporter and until the change in deliveries and/or receipts is confirmed by Transporter.
- 2.21. "MMBtu" shall mean one million British thermal units, which is equivalent to one dekatherm.
- 2.22. "Month" shall mean the period beginning on the first Day of the calendar month and ending immediately prior to the commencement of the first Day of the next calendar month.

- 2.23. "Payment Date" shall mean a date, as indicated on the Base Contract, on or before which payment is due Seller for Gas received by Buyer in the previous Month.
- 2.24. "Receiving Transporter" shall mean the Transporter receiving Gas at a Delivery Point, or absent such receiving Transporter, the Transporter delivering Gas at a Delivery Point.
- 2.25. "Scheduled Gas" shall mean the quantity of Gas confirmed by Transporter(s) for movement, transportation or management.
- 2.26. "Spot Price" as referred to in Section 3.2 shall mean the price listed in the publication indicated on the Base Contract, under the listing applicable to the geographic location closest in proximity to the Delivery Point(s) for the relevant Day; provided, if there is no single price published for such location for such Day, but there is published a range of prices, then the Spot Price shall be the average of such high and low prices. If no price or range of prices is published for such Day, then the Spot Price shall be the average of the following: (i) the price (determined as stated above) for the first Day for which a price or range of prices is published that next precedes the relevant Day; and (ii) the price (determined as stated above) for the first Day for which a price or range of prices is published that next follows the relevant Day.
- 2.27. "Transaction Confirmation" shall mean a document, similar to the form of Exhibit A, setting forth the terms of a transaction formed pursuant to Section 1 for a particular Delivery Period.
- 2.28. "Termination Option" shall mean the option of either party to terminate a transaction in the event that the other party fails to perform a Firm obligation to deliver Gas in the case of Seller or to receive Gas in the case of Buyer for a designated number of days during a period as specified on the applicable Transaction Confirmation.
- 2.29. "Transporter(s)" shall mean all Gas gathering or pipeline companies, or local distribution companies, acting in the capacity of a transporter transporting Gas for Seller or Buyer upstream or downstream, respectively, of the Delivery Point pursuant to a particular transaction.

SECTION 3. PERFORMANCE OBLIGATION

- 3.1. Seller agrees to sell and deliver and Buyer agrees to receive and purchase, the Contract Quantity for a particular transaction in accordance with the terms of the Contract. Sales and purchases will be on a Firm or Interruptible basis as agreed to by the parties in a transaction.

The parties have selected either the "Cover Standard" or the "Spot Price Standard" as indicated on the Base Contract.

Cover Standard:

3.2. The sole and exclusive remedy of the parties in the event of a breach of a Firm obligation to deliver or receive Gas shall be recovery of the following: (i) in the event of a breach by Seller on any Day(s), payment by Seller to Buyer in an amount equal to the positive difference, if any, between the purchase price paid by Buyer utilizing the Cover Standard and the Contract Price, adjusted for commercially reasonable differences in transportation costs to or from the Delivery Point(s), multiplied by the difference between the Contract Quantity and the quantity actually delivered by Seller for such Day(s); or (ii) in the event of a breach by Buyer on any Day(s), payment by Buyer to Seller in the amount equal to the positive difference, if any, between the Contract Price and the price received by Seller utilizing the Cover Standard for the resale of such Gas, adjusted for commercially reasonable differences in transportation costs to or from the Delivery Point(s), multiplied by the difference between the Contract Quantity and the quantity actually taken by Buyer for such Day(s); or (iii) in the event that Buyer has used commercially reasonable efforts to replace the Gas or Seller has used commercially reasonable efforts to sell the Gas to a third party, and no such replacement or sale is available, then the sole and exclusive remedy of the performing party shall be any unfavorable difference between the Contract Price and the Spot Price, adjusted for such transportation to the applicable Delivery Point, multiplied by the difference between the Contract Quantity and the quantity actually delivered by Seller and received by Buyer for such Day(s). Imbalance Charges shall not be recovered under this Section 3.2, but Seller and/or Buyer shall be responsible for Imbalance Charges, if any, as provided in Section 4.3. The amount of such unfavorable difference shall be payable five Business Days after presentation of the performing party's invoice, which shall set forth the basis upon which such amount was calculated.

Spot Price Standard:

3.2. The sole and exclusive remedy of the parties in the event of a breach of a Firm obligation to deliver or receive Gas shall be recovery of the following: (i) in the event of a breach by Seller on any Day(s), payment by Seller to Buyer in an amount equal to the difference between the Contract Quantity and the actual quantity delivered by Seller and received by Buyer for such Day(s), multiplied by the positive difference, if any, obtained by subtracting the Contract Price from the Spot Price; or (ii) in the event of a breach by Buyer on any Day(s), payment by Buyer to Seller in an amount equal to the difference between the Contract Quantity and the actual quantity delivered by Seller and received by Buyer for such Day(s), multiplied by the positive difference, if any, obtained by subtracting the applicable Spot Price from the Contract Price. Imbalance Charges shall not be recovered under this Section 3.2, but Seller and/or Buyer shall be responsible for Imbalance Charges, if any, as provided in Section 4.3. The amount of such unfavorable difference shall be payable five Business Days after presentation of the performing party's invoice, which shall set forth the basis upon which such amount was calculated.

3.3. Notwithstanding Section 3.2, the parties may agree to Alternative Damages in a Transaction Confirmation executed in writing by both parties.

3.4. In addition to Sections 3.2 and 3.3, the parties may provide for a Termination Option in a Transaction Confirmation executed in writing by both parties. The Transaction Confirmation containing the Termination Option will designate the length of nonperformance

triggering the Termination Option and the procedures for exercise thereof, how damages for nonperformance will be compensated, and how liquidation costs will be calculated.

SECTION 4. TRANSPORTATION, NOMINATIONS, AND IMBALANCES

4.1. Seller shall have the sole responsibility for transporting the Gas to the Delivery Point(s). Buyer shall have the sole responsibility for transporting the Gas from the Delivery Point(s).

4.2. The parties shall coordinate their nomination activities, giving sufficient time to meet the deadlines of the affected Transporter(s). Each party shall give the other party timely, prior Notice, sufficient to meet the requirements of all Transporter(s) involved in the transaction, of the quantities of Gas to be delivered and purchased each Day. Should either party become aware that actual deliveries at the Delivery Point(s) are greater or lesser than the Scheduled Gas, such party shall promptly notify the other party.

4.3. The parties shall use commercially reasonable efforts to avoid imposition of any Imbalance Charges. If Buyer or Seller receives an invoice from a Transporter that includes Imbalance Charges, the parties shall determine the validity as well as the cause of such Imbalance Charges. If the Imbalance Charges were incurred as a result of Buyer's receipt of quantities of Gas greater than or less than the Scheduled Gas, then Buyer shall pay for such Imbalance Charges or reimburse Seller for such Imbalance Charges paid by Seller. If the Imbalance Charges were incurred as a result of Seller's delivery of quantities of Gas greater than or less than the Scheduled Gas, then Seller shall pay for such Imbalance Charges or reimburse Buyer for such Imbalance Charges paid by Buyer.

SECTION 5. QUALITY AND MEASUREMENT

All Gas delivered by Seller shall meet the pressure, quality and heat content requirements of the Receiving Transporter. The unit of quantity measurement for purposes of this Contract shall be one MMBtu dry. Measurement of Gas quantities hereunder shall be in accordance with the established procedures of the Receiving Transporter.

SECTION 6. TAXES

The parties have selected either "Buyer Pays At and After Delivery Point" or "Seller Pays Before and At Delivery Point" as indicated on the Base Contract.

Buyer Pays At and After Delivery Point:

Seller shall pay or cause to be paid all taxes, fees, levies, penalties, licenses or charges imposed by any government authority ("Taxes") on or with respect to the Gas prior to the Delivery Point(s). Buyer shall pay or cause to be paid all Taxes on or with respect to the Gas at the Delivery Point(s) and all Taxes after the Delivery Point(s). If a party is required to remit or pay Taxes that are the other party's responsibility hereunder, the party responsible for such Taxes shall promptly reimburse the other party for such Taxes. Any party entitled to an exemption from any such Taxes or charges shall furnish the other party any necessary documentation thereof.

Seller Pays Before and At Delivery Point:

Seller shall pay or cause to be paid all taxes, fees, levies, penalties, licenses or charges imposed by any government authority ("Taxes") on or with respect to the Gas prior to the Delivery Point(s) and all Taxes at the Delivery Point(s). Buyer shall pay or cause to be paid all Taxes on or with respect to the Gas after the Delivery Point(s). If a party is required to remit or pay Taxes that are the other party's responsibility hereunder, the party responsible for such Taxes shall promptly reimburse the other party for such Taxes. Any party entitled to an exemption from any such Taxes or charges shall furnish the other party any necessary documentation thereof.

SECTION 7. BILLING, PAYMENT, AND AUDIT

7.1. Seller shall invoice Buyer for Gas delivered and received in the preceding Month and for any other applicable charges, providing supporting documentation acceptable in industry practice to support the amount charged. If the actual quantity delivered is not known by the billing date, billing will be prepared based on the quantity of Scheduled Gas. The invoiced quantity will then be adjusted to the actual quantity on the following Month's billing or as soon thereafter as actual delivery information is available.

7.2. Buyer shall remit the amount due under Section 7.1 in the manner specified in the Base Contract, in immediately available funds, on or before the later of the Payment Date or 10 Days after receipt of the invoice by Buyer, provided that if the Payment Date is not a Business Day, payment is due on the next Business Day following that date. In the event any payments are due Buyer hereunder, payment to Buyer shall be made in accordance with this Section 7.2.

7.3. In the event payments become due pursuant to Sections 3.2 or 3.3, the performing party may submit an invoice to the nonperforming party for an accelerated payment setting forth the basis upon which the invoiced amount was calculated. Payment from the nonperforming party will be due five Business Days after receipt of invoice.

7.4. If the invoiced party, in good faith, disputes the amount of any such invoice or any part thereof, such invoiced party will pay such amount as it concedes to be correct; provided, however, if the invoiced party disputes the amount due, it must provide supporting documentation acceptable in industry practice to support the amount paid or disputed. In the event the parties are unable to resolve such dispute, either party may pursue any remedy available at law or in equity to enforce its rights pursuant to this Section.

7.5. If the invoiced party fails to remit the full amount payable when due, interest on the unpaid portion shall accrue from the date due until the date of payment at a rate equal to the lower of (i) the then-effective prime rate of interest published under "Money Rates" by The Wall Street Journal, plus two percent per annum; or (ii) the maximum applicable lawful interest rate.

7.6. A party shall have the right, at its own expense, upon reasonable Notice and at reasonable times, to examine and audit and to obtain copies of the relevant portion of the books, records, and telephone recordings of the other party only to the extent reasonably necessary to verify the accuracy of any statement, charge, payment, or computation made under the Contract. This right to examine, audit, and to obtain copies shall not be available with respect to proprietary information not directly relevant to transactions under this Contract. All invoices and billings shall be conclusively presumed final and accurate and all associated claims for under- or overpayments shall be deemed waived unless such invoices or billings are objected to in writing, with adequate explanation and/or documentation, within two years after the Month of Gas delivery. All retroactive adjustments under Section 7 shall be paid in full by the party owing payment within 30 Days of Notice and substantiation of such inaccuracy.

7.7. Unless the parties have elected on the Base Contract not to make this Section 7.7 applicable to this Contract, the parties shall net all undisputed amounts due and owing, and/or past due, arising under the Contract such that the party owing the greater amount shall make a single payment of the net amount to the other party in accordance with Section 7; provided that no payment required to be made pursuant to the terms of any Credit Support Obligation or pursuant to Section 7.3 shall be subject to netting under this Section. If the parties have executed a separate netting agreement, the terms and conditions therein shall prevail to the extent inconsistent herewith.

SECTION 8. TITLE, WARRANTY, AND INDEMNITY

8.1. Unless otherwise specifically agreed, title to the Gas shall pass from Seller to Buyer at the Delivery Point(s). Seller shall have responsibility for and assume any liability with respect to the Gas prior to its delivery to Buyer at the specified Delivery Point(s). Buyer shall have responsibility for and any liability with respect to said Gas after its delivery to Buyer at the Delivery Point(s).

8.2. Seller warrants that it will have the right to convey and will transfer good and merchantable title to all Gas sold hereunder and delivered by it to Buyer, free and clear of all liens, encumbrances, and claims. EXCEPT AS PROVIDED IN THIS SECTION 8.2 AND IN SECTION 14.8, ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING ANY WARRANTY OF MERCHANTABILITY OR OF FITNESS FOR ANY PARTICULAR PURPOSE, ARE DISCLAIMED.

8.3. Seller agrees to indemnify Buyer and save it harmless from all losses, liabilities or claims including reasonable attorneys' fees and costs of court ("Claims"), from any and all persons arising from or out of claims of title, personal injury or property damage from said Gas or other charges thereon which attach before title passes to Buyer. Buyer agrees to indemnify Seller and save it harmless from all Claims from any and all persons arising from or out of claims regarding payment, personal injury or property damage from said Gas or other charges thereon which attach after title passes to Buyer.

8.4. Notwithstanding the other provisions of this Section 8, as between Seller and Buyer, Seller will be liable for all Claims to the extent that such arise from the failure of Gas delivered by Seller to meet the quality requirements of Section 5.

SECTION 9. NOTICES

9.1. All Transaction Confirmations, invoices, payments and other communications made pursuant to the Base Contract ("Notices") shall be made to the addresses specified in writing by the respective parties from time to time.

9.2. All Notices required hereunder may be sent by facsimile or mutually acceptable electronic means, a nationally recognized overnight courier service, first class mail or hand delivered.

9.3. Notice shall be given when received on a Business Day by the addressee. In the absence or proof of the actual receipt date, the following presumptions will apply. Notices sent by facsimile shall be deemed to have been received upon the sending party's receipt of its facsimile machine's confirmation of successful transmission. If the day on which such facsimile is received is not a Business Day or is after five p.m. on a Business Day, then such facsimile shall be deemed to have been received on the next following Business Day. Notice by overnight mail or courier shall be deemed to have been received on the next Business Day after it was sent or such earlier time as is confirmed by the receiving party. Notice via first class mail shall be considered delivered five Business Days after mailing.

SECTION 10. FINANCIAL RESPONSIBILITY

10.1. If either party ("X") has reasonable grounds for insecurity regarding the performance of any obligation under this Contract (whether or not then due) by the other party ("Y") (including, without limitation, the occurrence of a material change in the creditworthiness of Y), X may demand Adequate Assurance of Performance. "Adequate Assurance of Performance" shall mean sufficient security in the form, amount and for the term reasonably acceptable to X, including, but not limited to, a standby irrevocable letter of credit, a prepayment, a security interest in an asset or a performance bond or guaranty (including the issuer of any such security).

10.2. In the event (each an "Event of Default") either party (the "Defaulting Party") or its guarantor shall: (i) make an assignment or any general arrangement for the benefit of creditors; (ii) file a petition or otherwise commence, authorize, or acquiesce in the commencement of a proceeding or case under any bankruptcy or similar law for the protection of creditors or have such petition filed or proceeding commenced against it; (iii) otherwise become bankrupt or insolvent (however evidenced); (iv) be unable to pay its debts as they fall due; (v) have a receiver, provisional liquidator, conservator, custodian, trustee or other similar official appointed with respect to it or substantially all of its assets; (vi) fail to perform any obligation to the other party with respect to any Credit Support Obligations relating to the Contract; (vii) fail to give Adequate Assurance of Performance under Section 10.1 within 48 hours but at least one Business Day of a written request by the other party; or (viii) not have paid any amount due the other party hereunder on or before the second Business Day following written Notice that such payment is due; then the other party (the "Non-Defaulting Party") shall have the right, at its sole election, to immediately withhold and/or suspend deliveries or payments upon Notice and/or to terminate and liquidate

the transactions under the Contract, in the manner provided in Section 10.3, in addition to any and all other remedies available hereunder.

10.3. If an Event of Default has occurred and is continuing, the Non-Defaulting Party shall have the right, by Notice to the Defaulting Party, to designate a Day, no earlier than the Day such Notice is given and no later than 20 Days after such Notice is given, as an early termination date (the "Early Termination Date") for the liquidation and termination pursuant to Section 10.3.1 of all transactions under the Contract, each a "Terminated Transaction". On the Early Termination Date, all transactions will terminate, other than those transactions, if any, that may not be liquidated and terminated under applicable law or that are, in the reasonable opinion of the Non-Defaulting Party, commercially impracticable to liquidate and terminate ("Excluded Transactions"), which Excluded Transactions must be liquidated and terminated as soon thereafter as is reasonably practicable, and upon termination shall be a Terminated Transaction and be valued consistent with Section 10.3.1 below. With respect to each Excluded Transaction, its actual termination date shall be the Early Termination Date for purposes of Section 10.3.1.

The parties have selected either "Early Termination Damages Apply" or "Early Termination Damages Do Not Apply" as indicated on the Base Contract.

Early Termination Damages Apply:

10.3.1. As of the Early Termination Date, the Non-Defaulting Party shall determine, in good faith and in a commercially reasonable manner, (i) the amount owed (whether or not then due) by each party with respect to all Gas delivered and received between the parties under Terminated Transactions and Excluded Transactions on and before the Early Termination Date and all other applicable charges relating to such deliveries and receipts (including without limitation any amounts owed under Section 3.2), for which payment has not yet been made by the party that owes such payment under this Contract and (ii) the Market Value, as defined below, of each Terminated Transaction. The Non-Defaulting Party shall (x) liquidate and accelerate each Terminated Transaction at its Market Value so that each amount equal to the difference between such Market Value and the Contract Value, as defined below, of such Terminated Transaction(s) shall be due to the Buyer under the Terminated Transaction(s) if such Market Value exceeds the Contract Value and to the Seller if the opposite is the case; and (y) where appropriate, discount each amount then due under clause (x) above to present value in a commercially reasonable manner as of the Early Termination Date (to take account of the period between the date of liquidation and the date on which such amount would have otherwise been due pursuant to the relevant Terminated Transactions).

For purposes of this Section 10.3.1, "Contract Value" means the amount of Gas remaining to be delivered or purchased under a transaction multiplied by the Contract Price, and "Market Value" means the amount of Gas remaining to be delivered or purchased under a transaction multiplied by the market price for a similar transaction at the Delivery Point determined by the Non-Defaulting Party in a commercially reasonable manner. To ascertain the Market Value, the Non-Defaulting Party may consider, among other valuations, any or all of the settlement prices of NYMEX Gas futures contracts, quotations from leading dealers in energy swap contracts or physical gas trading markets, similar sales or purchases and any other bona fide third-party offers, all adjusted for the length of the term and differences in transportation costs. A party shall not be required to enter into a replacement transaction(s) in order to determine the Market Value. Any extension(s) of the term of a transaction to which parties are not bound as of the Early Termination Date (including but not limited to "evergreen provisions") shall not be considered in determining Contract Values and Market Values. For the avoidance of doubt, any option pursuant to which one party has the right to extend the term of a transaction shall be considered in determining Contract Values and Market Values. The rate of interest used in calculating net present value shall be determined by the Non-Defaulting Party in a commercially reasonable manner.

Early Termination Damages Do Not Apply:

10.3.1. As of the Early Termination Date, the Non-Defaulting Party shall determine, in good faith and in a commercially reasonable manner, the amount owed (whether or not then due) by each party with respect to all Gas delivered and received between the parties under Terminated Transactions and Excluded Transactions on and before the Early Termination Date and all other applicable charges relating to such deliveries and receipts (including without limitation any amounts owed under Section 3.2) for which payment has not yet been made by the party that owes such payment under this Contract.

The parties have selected either "Other Agreement Setoffs Apply" or "Other Agreement Setoffs Do Not Apply" as indicated on the Base Contract.

Other Agreement Setoffs Apply:

10.3.2. The Non-Defaulting Party shall net or aggregate, as appropriate, any and all amounts owing between the parties under Section 10.3.1, so that all such amounts are netted or aggregated to a single liquidated amount payable by one party to the other (the "Net Settlement Amount"). At its sole option and without prior Notice to the Defaulting Party, the Non-Defaulting Party may setoff (i) any Net Settlement Amount owed to the Non-Defaulting Party against any margin or other collateral held by it in connection with any Credit Support Obligation relating to the Contract; or (ii) any Net Settlement Amount payable to the Defaulting Party against any amount(s) payable by the Defaulting Party to the Non-Defaulting Party under any other agreement or arrangement between the parties.

Other Agreement Setoffs Do Not Apply:

10.3.2. The Non-Defaulting Party shall net or aggregate, as appropriate, any and all amounts owing between the parties under Section 10.3.1, so that all such amounts are netted or aggregated to a single liquidated amount payable by one party to the other (the "Net Settlement Amount"). At its sole option and without prior Notice to the Defaulting Party, the Non-Defaulting Party may setoff any Net Settlement Amount owed to the Non-Defaulting Party against any margin or other collateral held by it in connection with any Credit

10.3.3. If any obligation that is to be included in any netting, aggregation or setoff pursuant to Section 10.3.2 is unascertained, the Non-Defaulting Party may in good faith estimate that obligation and net, aggregate or setoff, as applicable, in respect of the estimate, subject to the Non-Defaulting Party accounting to the Defaulting Party when the obligation is ascertained. Any amount not then due which is included in any netting, aggregation or setoff pursuant to Section 10.3.2 shall be discounted to net present value in a commercially reasonable manner determined by the Non-Defaulting Party.

10.4. As soon as practicable after a liquidation, Notice shall be given by the Non-Defaulting Party to the Defaulting Party of the Net Settlement Amount, and whether the Net Settlement Amount is due to or due from the Non-Defaulting Party. The Notice shall include a written statement explaining in reasonable detail the calculation of such amount, provided that failure to give such Notice shall not affect the validity or enforceability of the liquidation or give rise to any claim by the Defaulting Party against the Non-Defaulting Party. The Net Settlement Amount shall be paid by the close of business on the second Business Day following such Notice, which date shall not be earlier than the Early Termination Date. Interest on any unpaid portion of the Net Settlement Amount shall accrue from the date due until the date of payment at a rate equal to the lower of (i) the then-effective prime rate of interest published under "Money Rates" by The Wall Street Journal, plus two percent per annum, or (ii) the maximum applicable lawful interest rate.

10.5. The parties agree that the transactions hereunder constitute a "forward contract" within the meaning of the United States Bankruptcy Code and that Buyer and Seller are each "forward contract merchants" within the meaning of the United States Bankruptcy Code.

10.6. The Non-Defaulting Party's remedies under this Section 10 are the sole and exclusive remedies of the Non-Defaulting Party with respect to the occurrence of any Early Termination Date. Each party reserves to itself all other rights, setoffs, counterclaims and other defenses that it is or may be entitled to arising from the Contract.

10.7. With respect to this Section 10, if the parties have executed a separate netting agreement with close-out netting provisions, the terms and conditions therein shall prevail to the extent inconsistent herewith.

SECTION 11. FORCE MAJEURE

11.1. Except with regard to a party's obligation to make payment(s) due under Section 7, Section 10.4, and Imbalance Charges under Section 4, neither party shall be liable to the other for failure to perform a Firm obligation to the extent such failure was caused by Force Majeure. The term "Force Majeure" as employed herein means any cause not reasonably within the control of the party claiming suspension, as further defined in Section 11.2.

11.2. Force Majeure shall include, but not be limited to, the following: (i) physical events such as acts of God, landslides, lightning, earthquakes, fires, storms or storm warnings, such as hurricanes, which result in evacuation of the affected area, floods, washouts, explosions, breakage or accident or necessity of repairs to machinery or equipment or lines of pipe; (ii) weather related events affecting an entire geographic region, such as low temperatures which cause freezing or failure of wells or lines of pipe; (iii) interruption and/or curtailment of Firm transportation and/or storage by Transporters; (iv) acts of others such as strikes, lockouts or other industrial disturbances, riots, sabotage, insurrections or wars; and (v) governmental actions such as necessity for compliance with any court order, law, statute, ordinance, regulation, or policy having the effect of law promulgated by a governmental authority having jurisdiction. Seller and Buyer shall make reasonable efforts to avoid the adverse impacts of a Force Majeure and to resolve the event or occurrence once it has occurred in order to resume performance.

11.3. Neither party shall be entitled to the benefit of the provisions of Force Majeure to the extent performance is affected by any or all of the following circumstances: (i) the curtailment of interruptible or secondary Firm transportation unless primary in-path, Firm transportation is also curtailed; (ii) the party claiming excuse failed to remedy the condition and to resume the performance of such covenants or obligations with reasonable dispatch; or (iii) economic hardship, to include, without limitation, Seller's ability to sell Gas at a higher or more advantageous price than the Contract Price, Buyer's ability to purchase Gas at a lower or more advantageous price than the Contract Price, or a regulatory agency disallowing, in whole or in part, the pass through of costs resulting from this Agreement; (iv) the loss of Buyer's market(s) or Buyer's inability to use or resell Gas purchased hereunder, except, in either case, as provided in Section 11.2; or (v) the loss or failure of Seller's gas supply or depletion of reserves, except, in either case, as provided in Section 11.2. The party claiming Force Majeure shall not be excused from its responsibility for Imbalance Charges.

11.4. Notwithstanding anything to the contrary herein, the parties agree that the settlement of strikes, lockouts or other industrial disturbances shall be within the sole discretion of the party experiencing such disturbance.

11.5. The party whose performance is prevented by Force Majeure must provide Notice to the other party. Initial Notice may be given orally; however, written Notice with reasonably full particulars of the event or occurrence is required as soon as reasonably possible. Upon providing written Notice of Force Majeure to the other party, the affected party will be relieved of its obligation, from the onset of the Force Majeure event, to make or accept delivery of Gas, as applicable, to the extent and for the duration of Force Majeure, and neither party shall be deemed to have failed in such obligations to the other during such occurrence or event.

11.6. Notwithstanding Sections 11.2 and 11.3, the parties may agree to alternative Force Majeure provisions in a Transaction Confirmation executed in writing by both parties.

SECTION 12. TERM

This Contract may be terminated on 30 Day's written Notice, but shall remain in effect until the expiration of the latest Delivery Period of any transaction(s). The rights of either party pursuant to Section 7.6 and Section 10, the obligations to make payment hereunder, and the obligation of either party to indemnify the other, pursuant hereto shall survive the termination of the Base Contract or any transaction.

SECTION 13. LIMITATIONS

FOR BREACH OF ANY PROVISION FOR WHICH AN EXPRESS REMEDY OR MEASURE OF DAMAGES IS PROVIDED, SUCH EXPRESS REMEDY OR MEASURE OF DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY. A PARTY'S LIABILITY HEREUNDER SHALL BE LIMITED AS SET FORTH IN SUCH PROVISION, AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED. IF NO REMEDY OR MEASURE OF DAMAGES IS EXPRESSLY PROVIDED HEREIN OR IN A TRANSACTION, A PARTY'S LIABILITY SHALL BE LIMITED TO DIRECT ACTUAL DAMAGES ONLY. SUCH DIRECT ACTUAL DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY, AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED. UNLESS EXPRESSLY HEREIN PROVIDED, NEITHER PARTY SHALL BE LIABLE FOR CONSEQUENTIAL, INCIDENTAL, PUNITIVE, EXEMPLARY OR INDIRECT DAMAGES, LOST PROFITS OR OTHER BUSINESS INTERRUPTION DAMAGES, BY STATUTE, IN TORT OR CONTRACT, UNDER ANY INDEMNITY PROVISION OR OTHERWISE. IT IS THE INTENT OF THE PARTIES THAT THE LIMITATIONS HEREIN IMPOSED ON REMEDIES AND THE MEASURE OF DAMAGES BE WITHOUT REGARD TO THE CAUSE OR CAUSES RELATED THERETO, INCLUDING THE NEGLIGENCE OF ANY PARTY, WHETHER SUCH NEGLIGENCE BE SOLE, JOINT OR CONCURRENT, OR ACTIVE OR PASSIVE. TO THE EXTENT ANY DAMAGES REQUIRED TO BE PAID HEREUNDER ARE LIQUIDATED, THE PARTIES ACKNOWLEDGE THAT THE DAMAGES ARE DIFFICULT OR IMPOSSIBLE TO DETERMINE, OR OTHERWISE OBTAINING AN ADEQUATE REMEDY IS INCONVENIENT AND THE DAMAGES CALCULATED HEREUNDER CONSTITUTE A REASONABLE APPROXIMATION OF THE HARM OR LOSS.

SECTION 14. MISCELLANEOUS

14.1. This Contract shall be binding upon and inure to the benefit of the successors, assigns, personal representatives, and heirs of the respective parties hereto, and the covenants, conditions, rights and obligations of this Contract shall run for the full term of this Contract. No assignment of this Contract in whole or in part, will be made without the prior written consent of the non-assigning party (and shall not relieve the assigning party from liability hereunder) which consent will not be unreasonably withheld or delayed; provided, either party may (i) transfer, sell, pledge, encumber or assign this Contract or the accounts, revenues, or proceeds hereof in connection with any financing or other financial arrangements or (ii) transfer its interest to any parent or affiliate by assignment, merger or otherwise without the prior approval of the other party. Upon any such assignment, transfer and assumption, the transferor shall remain principally liable for and shall not be relieved of or discharged from any obligations hereunder.

14.2. If any provision in this Contract is determined to be invalid, void or unenforceable by any court having jurisdiction, such determination shall not invalidate, void or make unenforceable any other provision, agreement or covenant of this Contract.

14.3. No waiver of any breach of this Contract shall be held to be a waiver of any other or subsequent breach.

14.4. This Contract sets forth all understandings between the parties respecting each transaction subject hereto, and any prior contracts, understandings and representations, whether oral or written, relating to such transactions are merged into and superseded by this Contract and any effective transaction(s). This Contract may be amended only by a writing executed by both parties.

14.5. The interpretation and performance of this Contract shall be governed by the laws of the jurisdiction as indicated on the Base Contract, excluding, however, any conflict of laws rule which would apply the law of another jurisdiction.

14.6. This Contract and all provisions herein will be subject to all applicable and valid statutes, rules, orders and regulations of any governmental authority having jurisdiction over the parties, their facilities, or Gas supply, this Contract or transaction or any provisions thereof.

14.7. There is no third party beneficiary to this Contract.

14.8. Each party to this Contract represents and warrants that it has full and complete authority to enter into and perform this Contract. Each person who executes this Contract on behalf of either party represents and warrants that it has full and complete authority to do so and that such party will be bound thereby.

14.9. The headings and subheadings contained in this Contract are used solely for convenience and do not constitute a part of this Contract between the parties and shall not be used to construe or interpret the provisions of this Contract.

14.10. Unless the parties have elected on the Base Contract not to make this Section 14.10 applicable to this Contract, neither party shall disclose directly or indirectly without the prior written consent of the other party the terms of any transaction to a third party (other than the employees, lenders, royalty owners, counsel, accountants and other agents of the party, or prospective purchasers of all or substantially all of a party's assets or of any rights under this Contract, provided such persons shall have agreed to keep such terms confidential) except (i) in order to comply with any applicable law, order, regulation, or exchange rule, (ii) to the extent necessary for the enforcement of this Contract, (iii) to the extent necessary to implement any transaction, or (iv) to the extent such information is delivered to such third party for the sole purpose of calculating a published index. Each party shall notify the other party of any proceeding of which it is aware which may result in disclosure of the terms of any transaction (other than as permitted hereunder) and use reasonable efforts to prevent or limit the disclosure. The existence of this Contract is not subject to this confidentiality obligation. Subject to Section 13, the parties shall be entitled to all remedies available at law or in equity to enforce, or seek relief in connection with this confidentiality obligation. The terms of any transaction hereunder shall be kept confidential by the parties hereto for one year from the expiration of the transaction.

In the event that disclosure is required by a governmental body or applicable law, the party subject to such requirement may disclose the material terms of this Contract to the extent so required, but shall promptly notify the other party, prior to disclosure, and shall cooperate (consistent with the disclosing party's legal obligations) with the other party's efforts to obtain protective orders or similar restraints with respect to such disclosure at the expense of the other party.

14.11 The parties may agree to dispute resolution procedures in Special Provisions attached to the Base Contract or in a Transaction Confirmation executed in writing by both parties.

DISCLAIMER: The purposes of this Contract are to facilitate trade, avoid misunderstandings and make more definite the terms of contracts of purchase and sale of natural gas. Further, NAESB does not mandate the use of this Contract by any party. NAESB DISCLAIMS AND EXCLUDES, AND ANY USER OF THIS CONTRACT ACKNOWLEDGES AND AGREES TO NAESB'S DISCLAIMER OF, ANY AND ALL WARRANTIES, CONDITIONS OR REPRESENTATIONS, EXPRESS OR IMPLIED, ORAL OR WRITTEN, WITH RESPECT TO THIS CONTRACT OR ANY PART THEREOF, INCLUDING ANY AND ALL IMPLIED WARRANTIES OR CONDITIONS OF TITLE, NON-INFRINGEMENT, MERCHANTABILITY, OR FITNESS OR SUITABILITY FOR ANY PARTICULAR PURPOSE (WHETHER OR NOT NAESB KNOWS, HAS REASON TO KNOW, HAS BEEN ADVISED, OR IS OTHERWISE IN FACT AWARE OF ANY SUCH PURPOSE), WHETHER ALLEGED TO ARISE BY LAW, BY REASON OF CUSTOM OR USAGE IN THE TRADE, OR BY COURSE OF DEALING. EACH USER OF THIS CONTRACT ALSO AGREES THAT UNDER NO CIRCUMSTANCES WILL NAESB BE LIABLE FOR ANY DIRECT, SPECIAL, INCIDENTAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES ARISING OUT OF ANY USE OF THIS CONTRACT.

NAESB

**TRANSACTION CONFIRMATION
FOR IMMEDIATE DELIVERY**

DWR(CERS)

Date: November 11, 2002

Transaction Confirmation #: _____

This Transaction Confirmation is subject to the Base Contract between Seller and Buyer dated November 11, 2002. The terms of this Transaction Confirmation are binding unless disputed in writing within 2 Business Days of receipt unless otherwise specified in the Base Contract.

SELLER:

WILLIAMS ENERGY MARKETING & TRADING COMPANY.

One Williams Center, Tulsa, OK 74172

Attn: Contract Administration

Phone: (918) 573-4188

Fax: (918) 732-0269

Base Contract No. _____

Transporter: _____

Transporter Contract Number: _____

BUYER:

**CALIFORNIA DEPARTMENT OF WATER
RESOURCES, P. O. Box 219001**

3310 El Camino Avenue Suite 120, Sacramento, CA 95821

Attn: Garney L. Hargan

Phone: 916-574-0290

Fax: 916-574-0301

Base Contract No. _____

Transporter: _____

Transporter Contract Number: _____

Contract Price: As indicated in Special Conditions below.

Delivery Period: Begin: January 1, 2004

End: December 31, 2010

Performance Obligation and Contract Quantity:

Firm

November through April: 1,200,000 MMBtu/month. Ratable daily takes; must take entire quantity, but allocable on a monthly basis for delivery to either or both of Southern California Border or point(s) on Kern River Pipeline pursuant to Special Conditions below.

May through October: 1,800,000 MMBtu/month. Ratable daily takes; must take entire quantity, but allocable on a monthly basis for delivery to either or both of Southern California Border or point(s) on Kern River Pipeline pursuant to Special Conditions below.

Delivery Point(s): Southern California Border delivery points into Southern California Gas Pipeline (50 – 100% of Contract Quantity) and Kern River Pipeline delivery points (0 – 50% of Contract Quantity), as described in Special Conditions.
(If a pooling point is used, list a specific geographic and pipeline location):

Special Conditions:

1. Contract Price for each year (\$/MMBtu) as follows:

2004	3.98	2008	4.21
2005	3.85	2009	4.32
2006	3.96	2010	4.39
2007	4.09		

3. **Monthly Allocation.** Not later than the earlier of monthly nominations deadline and 3 business days prior to the beginning of each month during the Term, Buyer shall provide Seller notice of Buyer's requested allocation of volumes of natural gas for delivery during such month to (i) the Southern California Border and (ii) delivery point(s) Kern River Pipeline; provided, Buyer shall not request allocation of more than 50% of the Contract Quantity to Kern River Pipeline. With respect to the volumes requested to be delivered on Kern River Pipeline, Buyer's notice shall also state Buyer's requested delivery points on Kern River Pipeline where, subject to available operational capacity and subject to Buyer's responsibility for any incremental cost incurred

by Seller, Buyer requests that Seller deliver such volumes during such month.

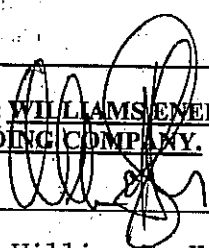
Gas nominated into Southern California Gas Company will be designated as the "Southern California Border" nomination.

4. Daily Delivery Point Option on Kern River Pipeline. Subject to available operational capacity and subject to Buyer's responsibility for any incremental cost incurred by Seller, to the extent Buyer shall have allocated all or a portion of the volumes purchased hereunder for delivery on Kern River Pipeline, Buyer will be allowed to change the volumes to other Kern River Pipeline delivery points on a day ahead basis as long as operational capacity at those points is available for that day. Buyer shall provide notice of such changes to Buyer's monthly nomination notice (previously provided to Seller pursuant to Special Provision #3, above) to Seller by not later than the earlier of day-ahead nominations deadline and 8:30 AM Central Standard Time the business day prior to the day of gas flow.

5. Limited Ability to Deliver Kern to SoCalBorder Intramonth. Changes of nominations from Kern River Pipeline to Southern California Border or Southern California Border to Kern River Pipeline during the month will not be allowed except where the original nominations on Kern River Pipeline can be delivered off Kern to a Southern California delivery point, including, but not limited to, Wheeler Ridge and Kramer Junction.

6. Limitations. Buyer's right to allocate between pipelines and delivery points as described in Special Conditions 3, 4, and 5 above shall also be subject to all of the terms and conditions of the applicable pipeline tariff(s).

Seller: WILLIAMS ENERGY MARKETING AND TRADING COMPANY.

By: 
Title: William E. Hobbs, President and CEO

Date: November 11, 2002

Buyer: CALIFORNIA DEPARTMENT OF WATER RESOURCES

By: _____

Title: _____

Date: November 11, 2002

by Seller, Buyer requests that Seller deliver such volumes during such month.

Gas nominated into Southern California Gas Company will be designated as the "Southern California Border" nomination.

4. Daily Delivery Point Option on Kern River Pipeline. Subject to available operational capacity and subject to Buyer's responsibility for any incremental cost incurred by Seller, to the extent Buyer shall have allocated all or a portion of the volumes purchased hereunder for delivery on Kern River Pipeline, Buyer will be allowed to change the volumes to other Kern River Pipeline delivery points on a day ahead basis as long as operational capacity at those points is available for that day. Buyer shall provide notice of such changes to Buyer's monthly nomination notice (previously provided to Seller pursuant to Special Provision #3, above) to Seller by not later than the earlier of day-ahead nominations deadline and 8:30 AM Central Standard Time the business day prior to the day of gas flow.

5. Limited Ability to Deliver Kern to SoCalBorder Intramonth. Changes of nominations from Kern River Pipeline to Southern California Border or Southern California Border to Kern River Pipeline during the month will not be allowed except where the original nominations on Kern River Pipeline can be delivered off Kern to a Southern California delivery point, including, but not limited to, Wheeler Ridge and Kramer Junction.

6. Limitations. Buyer's right to allocate between pipelines and delivery points as described in Special Conditions 3, 4, and 5 above shall also be subject to all of the terms and conditions of the applicable pipeline tariff(s).

Seller: WILLIAMS ENERGY MARKETING AND TRADING COMPANY.

By: _____

Title: _____

Date: November 11, 2002

Buyer: CALIFORNIA DEPARTMENT OF WATER RESOURCES

By: 

Title: Deputy Director

Date: November 11, 2002

SPECIAL PROVISIONS

to the BASE CONTRACT FOR

SALE AND PURCHASE OF NATURAL GAS

(NAESB Standard 6.3.1, Dated April 19, 2002)

between

CALIFORNIA DEPARTMENT OF WATER RESOURCES

P. O. Box 219001

3310 El Camino Avenue

Sacramento, CA 95821

("DWR")

and

WILLIAMS ENERGY MARKETING & TRADING COMPANY

One Williams Center

Tulsa, OK 74172

("Williams ")

Dated: November 11, 2002

The parties agree to amend the General Terms and Conditions of the Base Contract as follows:

1. The penultimate sentence of Section 1.2 Written Transaction Procedure shall be amended as follows:

"EDI" shall be deleted.

2. Section 2.15 shall be deleted.

3. The following shall be added immediately following Section 2.29:

2.30. "Buyer" shall mean the purchaser of Gas in a Transaction formed pursuant to this Base Contract.

- 2.31. "Buyer Replacement Agreement" means any agreement identical to this Base Contract (including any Transactions hereunder) between Williams and a Qualified Electrical Corporation, excluding provisions relating to DWR's status as a governmental agency or to the original start date(s) of this Base Contract, and together with such changes as Sellers and such Qualified Electrical Corporation may agree.
- 2.32. "Fund" shall mean Department of Water Resources Electric Power Fund established by Section 80200 of the Water Code of the State of California (the "Water Code").
- 2.33. "Qualified Electric Corporation" means an electrical corporation as defined by AB 1X, codified at California Water Code Section 80100 et seq (the "Act"), whose long-term unsecured senior debt on the effective date of any Buyer Replacement Agreement is rated BBB or better by S&P and Baa2 or better by Moody's and is not on negative outlook or Credit Watch from either rating agency; provided that with the exception of San Diego Gas and Electric Company, Southern California Edison Company and Pacific gas and Electric Company, no electrical corporation shall be a Qualified Electrical Corporation without the prior written agreement of Williams.
- 2.34. "Seller" shall mean the seller of Gas in a Transaction formed pursuant to this Base Contract.
- 2.35. "Transaction" shall mean a purchase and sale transaction formed pursuant to Section 1 for a particular delivery period.
- 2.36. "Trust Estate" means all revenues received by Buyer under any obligation entered into, and rights to receive the same, and moneys on deposit in the Fund and income or revenue derived from the investment thereof.
4. The following sentence shall be added immediately following the last sentence of Section 8.3:
- However, DWR's obligation to indemnify Williams pursuant to the provisions of this Section 8.3 shall apply only to the extent expressly permitted by law.
5. Section 10.3.1 shall be deleted and replaced in its entirety with the following:
- 10.3.1 (a) Upon termination of this Base Contract and the Transactions hereunder as the result of an Event of Default, the Non-Defaulting Party shall be entitled to a payment (the "Termination Payment") which shall be calculated as of the Early Termination Date in accordance with (b) below. As soon as practicable after the Early Termination Date, the Non-Defaulting Party shall give notice to the Defaulting Party of the amount of the Termination Payment, if any, due to the

Non-Defaulting Party. The notice shall include a written statement explaining in reasonable detail the calculation of such amount. Termination Payment is to be made no later than thirty (30) days after receipt of written notice of an Early Termination Date, except in the event that DWR is the Defaulting Party, in which case the Termination Payment is to be one hundred eighty (180) days after receipt of written notice of an Early Termination Date. Interest on any unpaid portion of the Net Settlement Amount shall accrue from the date due until the date of payment at a rate equal to the lower of (i) the then effective prime rate of interest published under "Money Rates" by the Wall Street Journal, plus two percent per annum; or (ii) the maximum applicable lawful interest rate.

Notwithstanding Section 7.4 hereof, if the Defaulting Party disagrees with the calculation of the Termination Payment and the parties cannot otherwise resolve their differences, pending resolution of the dispute, the Defaulting Party shall pay the full amount of the Termination Payment calculated by the Non-Defaulting Party in accordance with the timetable as provided above.

(b) The Non-Defaulting Party shall calculate the Termination Payment as follows:

The Termination Payment, if any, shall be (i) in the case Buyer is the Non-Defaulting Party, the present value of the positive difference, if any, of (A) Market Value, and (B) Contract Value, or (ii) in the case Seller is the Non-Defaulting Party, the present value of the positive difference, if any, of (A) Contract Value, and (B) Market Value, in each case using the Present Value Rate as of the time of termination (to take account of the period between the time notice of termination was effective and when such amount would have otherwise been due pursuant to the relevant transaction). The "Present Value Rate" shall mean the sum of 0.50% plus the yield reported on page "USD" of the Bloomberg Financial Markets Services Screen (or, if not available, any other nationally recognized trading screen reporting on-line intraday trading in United States government securities) at 11:00 a.m. (New York City, New York time) for the United States government securities having a maturity that matches the average remaining term of this Agreement.

For purposes of this Section 10.3.1, "Contract Value" means the amount of Gas remaining to be delivered or purchased under a transaction multiplied by the Contract Price, and "Market Value" means the amount of Gas remaining to be delivered or purchased under a Transaction multiplied by the market price for a similar transaction at the Delivery Point determined by the Non-Defaulting Party in a commercially reasonable manner. To ascertain Market Value, the Non-Defaulting Party may consider, among other valuations, any or all of the settlement prices of NYMEX Gas futures contracts, quotations from leading dealers in energy swap contracts or physical gas trading markets, similar sales or purchases and any bona fide third party offers, all adjusted for the length of the term and the difference in transportation costs. A party shall not be required to

enter into a replacement transaction (s) in order to determine "Market Value". Any extensions(s) of the term of a transaction to which parties are not bound as of the Early Termination Date (including but not limited to "evergreen provisions") shall not be considered in determining Contract Values and Market Values.

(c) Notwithstanding the other provisions of this Base Contract, if the Non-Defaulting Party has the right to liquidate or terminate all obligations arising under the Transaction under the provisions of this Section 10 because of the circumstances listed in items (i) through (v) of Section 10.2, then this Base Contract and the Transactions hereunder shall automatically terminate, without notice, as if the Early Termination Date was the day immediately preceding the events listed in Section 10.2.

6. Section 10.4 shall be deleted.

7. For so long as DWR is a party to the Base Contract, Section 10.5 shall be deleted, provided, however that Section 10.5 shall be included in any Buyer Replacement Agreement as defined in Section 2.31.

8. The following shall be added immediately following Section 10.7:

10.8. DWR's obligation to make payments hereunder shall be limited solely to the Fund. Any liability of DWR arising in connection with this Base Contract or any claim based thereon or with respect thereto, including, but not limited to, any payment pursuant to Section 3.2 hereof arising as the result of any breach or event of default under this Base Contract, and any other payment obligation or liability of or judgment against DWR hereunder, shall be satisfied solely from the Fund. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF CALIFORNIA ARE OR MAY BE PLEDGED FOR ANY PAYMENT UNDER THIS BASE CONTRACT. Revenues and assets of the State Water Resources Development System shall not be liable for or available to make any payments or satisfy any obligation arising under this Base Contract.

9. The following shall be added immediately following Section 10.8:

10.9. In accordance with Section 80134 of the Water Code, DWR covenants that it will, at least annually, and more frequently as required, establish and revise revenue requirements sufficient, together with any moneys on deposit in the Fund, to provide for the timely payment of all obligations which it has incurred, including any payments required to be made by DWR pursuant to this Base Contract. As provided in Section 80200 of the Water Code, while any obligations of DWR pursuant to this Base Contract remain outstanding and not fully performed or discharged, the rights, powers, duties and existence of DWR and the California Public Utilities Commission shall not be diminished or impaired in any manner that will affect adversely the interests and rights of the Seller under this Base Contract.

10. The following shall be added immediately following Section 14.11:

14.12. Seller has stated that, because of the administrative burden and delays associated with such requirements, it would not enter into this Base Contract if the provisions of the Government Code of California and the Public Contracts Code of California applicable to state contracts, including, but not limited to, advertising and competitive bidding requirements and prompt payment requirements would apply to or be required to be incorporated in this Base Contract. Accordingly, pursuant to Section 80014(b) of the Water Code, DWR has determined that it would be detrimental to accomplishing the purposes of Division 27 (commencing with Section 80000) of the Water Code to make such provisions applicable to this Base Contract and that such provisions and requirements are therefore not applicable to or incorporated in this Base Contract.

11. The following shall be added immediately following Section 14.12:

14.13. It is understood by the parties that, with respect to the DWR, only the following persons or such other persons as designated in writing by DWR shall be authorized to enter into any transaction, other than the 2002A Transaction, contemplated hereunder on behalf of DWR: (1) Garney Hargan; (2) Robert Grow; and (3) George Baldini.

12. The following shall be added immediately following Section 14.13:

14.14. It is understood by the parties that the California Department of Water Resources means the California Department of Water Resources, acting solely under the authority and powers created by AB1-X, codified as Sections 80000 through 80270 of the Water Code of California, as amended, and not under its powers and responsibilities with respect to the State Water Resources Development System.

13. The following shall be added immediately following Section 14.14:

14.15. Notwithstanding the foregoing limitations on assignment, at any time after January 1, 2003, the Seller shall, upon the written request of DWR, enter into one or more Buyer Replacement Agreements as may be agreed to by one or more Qualified Electric Corporations. This Base Contract and any Transactions hereunder shall terminate upon execution of a Buyer Replacement Agreement. The execution of the Buyer Replacement Agreement shall constitute a novation that shall relieve DWR of any liability or obligation arising after the date of termination of this Base Contract and Transactions hereunder. Such Replacement Agreement shall state that it is a Replacement Agreement within the meaning of the Agreement. The effectiveness of such Buyer Replacement Agreement shall be subject to the condition precedent that the California Public Utilities Commission shall have conducted a just and reasonable review under Section 451 of the Public Utilities Code with respect to such Buyer Replacement Agreement and shall have

issued an order determining that the charges under such Buyer Replacement Agreement are just and reasonable.

15. The following shall be added immediately following Section 14.15:

14.16. California law authorizes suits based on contract against the State or its agencies, and Buyer agrees that it will not assert any immunity it may have as a state agency against such lawsuits filed in California state court.

16. The following shall be added immediately following Section 14.16:

14.17. Payments by Buyer under this Base Contract shall constitute an operating expense of the Fund payable prior to all bonds, notes or other indebtedness secured by a pledge or assignment of the Trust Estate or payments to the general fund.

17. The following shall be added immediately following Section 14.17:

14.18. Buyer covenants that it will, at least annually, and more frequently as required, establish and revise revenue requirements sufficient, together with any moneys on deposit in the Fund, to provide for the timely payment of all obligations which it has incurred, including any payments required to be made by Buyer pursuant to this Base Contract. While any obligations of Buyer pursuant to this Base Contract remain outstanding and not fully performed or discharged, the rights, powers, duties and existence of Buyer and the California Public Utilities Commission shall not be diminished or impaired in any manner that will affect adversely the interests and rights of Seller under this Base Contract.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the Parties have caused this Special Provisions to The Base Contract for Sale and Purchase of Natural Gas to be duly executed as of the date first above written.

WILLIAMS ENERGY MARKETING &
TRADING COMPANY

By:  _____

Name: William E. Hobbs

Title: President and CEO



CALIFORNIA DEPARTMENT OF WATER
RESOURCES separate and apart from its
powers and responsibilities with respect to the
State Water Resources Development System

By: _____

Name: _____

Title: _____

Acknowledgments

State of Oklahoma)
) SS
County of Tulsa)

BEFORE ME, the undersigned authority, a notary public, on this day personally appeared William E. Hobbs, President and CEO of Williams Energy Marketing & Trading Company, a Delaware corporation, known to me that he executed this Special Provisions to The Base Contract for Sale and Purchase of Natural Gas for the purposes and consideration herein expressed, in the capacity therein set forth and as the act and deed of said corporation.

GIVEN UNDER MY HAND AND SEAL of office, this the 11th day of November, 2002.



Genal L. McGill
Notary Public

My Commission Expires: Feb. 2, 2005
Commission Number: 01001978

State of California)
) SS
County of _____)

BEFORE ME, the undersigned authority, a notary public, on this day personally appeared _____ of the California Department of Water Resources, a _____, known to me that he executed this Special Provisions to The Base Contract for Sale and Purchase of Natural Gas for the purposes and consideration therein expressed, in the capacity therein set forth and as the act and deed of said _____.

GIVEN UNDER MY HAND AND SEAL of office, this the _____ day of November, 2002.

Notary Public

My Commission Expires: _____

Commission Number: _____

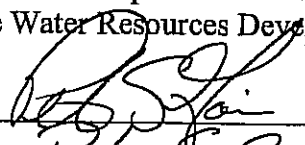
[SEAL]

IN WITNESS WHEREOF, the Parties have caused this Special Provisions to The Base Contract for Sale and Purchase of Natural Gas to be duly executed as of the date first above written.

WILLIAMS ENERGY MARKETING &
TRADING COMPANY

By: _____
Name: _____
Title: _____

CALIFORNIA DEPARTMENT OF WATER
RESOURCES separate and apart from its
powers and responsibilities with respect to the
State Water Resources Development System

By:  _____
Name: Peter S. Garbis
Title: Deputy Director

CALIFORNIA ALL-PURPOSE ACKNOWLEDGEMENT

STATE OF California

COUNTY OF Sacramento

ON 11/11/02
DATE

BEFORE ME,

Kristy Chapman
NAME & TITLE OF OFFICER (EG. JANE DOE, NOTARY PUBLIC)

PERSONALLY APPEARED

Peter S. Garnis

____ PERSONALLY KNOWN TO ME



PROVED TO ME ON THE BASIS OF SATISFACTORY EVIDENCE

TO BE THE PERSON(S) WHOSE NAME(S) IS/ARE SUBSCRIBED TO THE WITHIN INSTRUMENT AND ACKNOWLEDGED TO ME THAT HE/SHE/THEY EXECUTED THE SAME IN HIS/HER/THEIR AUTHORIZED CAPACITY(IES), AND THAT BY HIS/HER/THEIR SIGNATURE(S) ON THE INSTRUMENT THE PERSON(S), OR ENTITY UPON BEHALF OF WHICH THE PERSON(S) ACTED, EXECUTED THE INSTRUMENT.



WITNESS MY HAND AND OFFICIAL SEAL

Kristy Chapman
SIGNATURE OF NOTARY PUBLIC

*****OPTIONAL INFORMATION*****

THE INFORMATION BELOW IS NOT REQUIRED BY LAW, IT MAY PROVE TO BE IMPORTANT TO PERSONS RELYING ON THE DOCUMENT AND COULD PREVENT FRAUDULENT REMOVAL AND REATTACHMENT OF THIS FORM TO SOME OTHER DOCUMENT.

DESCRIPTION OF ATTACHED DOCUMENT

TITLE OR TYPE OF DOCUMENT:

Purchase of Natural Gas
Special Provisions to the Base Contract for Sale and

DOCUMENT DATE: 11/11/02

NUMBER OF PAGES: —

SIGNER(S) OTHER THAN NAMED ABOVE: —

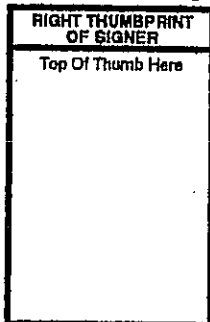
CAPACITY(IES) CLAIMED BY SIGNER(S)

SIGNER'S NAME: Peter S. Garnis

☒ INDIVIDUAL
☐ CORPORATE OFFICER
TITLE(S): _____
☐ PARTNER
____ LIMITED ____ GENERAL
☐ ATTORNEY-IN-FACT
☐ TRUSTEE
☐ GUARDIAN OR CONSERVATOR
☒ OTHER: _____

SIGNER IS REPRESENTING:

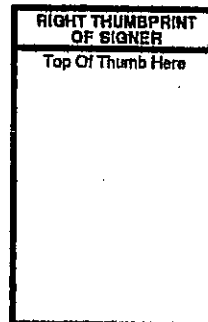
CDWR



SIGNER'S NAME: _____

☐ INDIVIDUAL
☐ CORPORATE OFFICER
TITLE(S): _____
☐ PARTNER
____ LIMITED ____ GENERAL
☐ ATTORNEY-IN-FACT
☐ TRUSTEE
☐ GUARDIAN OR CONSERVATOR
☐ OTHER: _____

SIGNER IS REPRESENTING:



Schedule 3.2 (b) (iv)
Warranty Expirations

*** TX REPORT ***

TRANSMISSION OK

TX/RX NO 1230
CONNECTION TEL 19168521073
CONNECTION ID
ST. TIME 11/09 13:19
USAGE T 00'17
PGS. SENT 1
RESULT OK

NOV-08-2002 15:54

P.02

(281) 457-7580, FAX (281) 452-1585

CHANGE ORDER PROPOSAL

PROJECT: Williams Energy Units 5-10 CONTRACT/P.O. NO. State Street/GE Packaged Power Contract dated 10/18/2001 SUBJECT: Extended Warranty on Units 5 - 10	CO NUMBER:	6
	DATE REQUESTED:	21-Oct-02
	BY:	Jason Lofland
	DATE SUBMITTED:	22-Oct-02
	BY:	Jason Lofland
	DATE APPROVED:	10/22/02
	BY:	<i>[Signature]</i>

ITEMS, CONTRACTUAL REQUIREMENTS AFFECTED:

Contract Price

NEED FOR CHANGE:

Williams requests additional coverage beyond current contractual warranty period pertaining to Title Transfer event.

DESCRIPTION OF PROPOSED CHANGE:

Unit warranties will be extended to 42 months from Readiness to Ship (Title Transfer) or 12 months from first fire, which ever period shall first expire. Buyer must contract with GE for quarterly preventive maintenance and follow GE storage procedures for all units.

Unit Title Transfer Dates: Unit 5 = 12/18/2001, Unit 6 = 12/18/2001, Unit 7 = 3/29/2002, Unit 8 = 6/28/2002, Unit 9 = 8/30/2002, and Unit 10 = 8/30/2002

SCHEDULE:

No impact to project schedule.

Extended warranty shall be available with receipt of signed change order and payment in full.

CHANGE ORDER AMOUNT:

\$ 175,000 per LM6000 GTG package (Total = \$ 1,050,000)

URGENT CONSIDERATIONS (if applicable):

Payment due 10 days following receipt of signed change order proposal.

This extended warranty offer is valid only for the State of California / Williams Agreement.

CHANGE ORDER APPROVER

Schedule 3.2 (b)

Bill of Sale

SCHEDULE 3.2(B)

Form of

BILL OF SALE, ASSIGNMENT AND ASSUMPTION AGREEMENT

THIS BILL OF SALE, ASSIGNMENT AND ASSUMPTION AGREEMENT (this "Bill of Sale") is made this ____ day of _____, 2002, by Williams Energy Marketing & Trading Company, a Delaware corporation [or its designee] ("Transferor"), and _____ ("Transferee").

WITNESSETH

WHEREAS, in accordance with that certain Settlement Agreement by and among, *inter alia*, Williams Energy Marketing & Trading Company and Transferee dated _____ (the "Settlement Agreement"), Transferor desires to transfer, assign, and convey to Transferee, effective on the Closing Date (as defined in the Settlement Agreement) all of its (a) right, title, and interest in and to the Units (as such term is defined in that certain Agreement between State Street Trust Company of Connecticut, National Association, not in its individual capacity, but solely as Owner Trustee, and GE Packaged Power, Inc. for six LM6000 Turbine Generator Sets, dated October 18, 2001, as amended on April 16, 2002 in respect of storage of the Units, and on October 22, 2002 to extend the warranties set forth therein (the "GE Agreement"), and (b) rights and duties under the GE Agreement; and

WHEREAS, Transferee desires to assume all of Transferor's rights and duties under the GE Agreement;

NOW, THEREFORE, in consideration of the mutual premises and covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby expressly acknowledged, the parties hereto agree as follows:

1. Transferor hereby transfers, assigns, and conveys to Transferee all of Transferor's right, title, and interest in and to the Units on an "AS IS and "WHERE IS" basis, except to the extent expressly otherwise provided in this Bill of Sale.
2. Transferor hereby assigns to Transferee all of its rights under the GE Agreement.
3. Transferee hereby accepts the foregoing assignment and assumes all of Transferor's duties arising on and after the Closing Date under the GE Agreement.
4. Transferor represents, warrants, and covenants to and with Transferee as follows:
 - a. Transferor has good right, title, and interest in and to the Units;
 - b. the Units are subject to no existing liens or encumbrances other than those transfer obligations imposed by Paragraph 3.2(b) of the Settlement Agreement;

- c. Transferor has full power and authority, and is duly authorized, to execute this Bill of Sale, convey the Units to Transferee as aforesaid, and assign to Transferee all of its rights and duties under the GE Agreement;
- d. none of the Units has ever been placed in service;
- e. a true and complete copy of the GE Agreement is attached hereto and has not been modified or amended and no action has been taken to terminate the GE Agreement;
- f. all payments due under the GE Agreement as relate to the Units to and including the Closing Date, including without limitation, and to Transferor's knowledge, any storage charges and any taxes levied by the State of Texas for storage or sale of the Units and the extension of the warranties, have been paid in full to GE or the appropriate taxing authority, as the case may be;
- g. no Transferor default or event the occurrence of which, with the passage of time or service of notice, or both, would constitute a Transferor default, in each case under the GE Agreement has occurred and, to Transferor's knowledge, no GE Packaged Power, Inc. default or event the occurrence of which, with the passage of time or service of notice, or both, would constitute a GE Packaged Power, Inc. default, in each case under the GE Agreement has occurred;
- h. Transferor shall and will warrant and defend this Bill of Sale to Transferee forever against the claims and demands of all persons;
- i. Transferor has not previously transferred, and shall not transfer or permit the transfer of, in any manner its interest in or under the GE Agreement as relates to the Units other than as set forth herein;
- j. the execution of this Bill of Sale does not violate the terms or conditions of any agreement or instrument to which the Transferor is a party or by which it is bound or any law or regulation that would adversely affect Transferee's right, title or interest in the Units or under the GE Agreement; Transferor makes no representation or warranty about whether the Transferee's acceptance of delivery of this Bill of Sale violates the terms or conditions of any agreement or instrument to which the Transferee is a party or by which it is bound or any law or regulation that would adversely affect Transferee's ability to accept delivery of this Bill of Sale.

5. EXCEPT AS SPECIFICALLY PROVIDED IN SECTIONS 4 AND 7 HEREOF, THIS BILL OF SALE IS MADE WITHOUT RECOURSE OR WARRANTY OF ANY NATURE WHATSOEVER, WHETHER EXPRESS OR IMPLIED, IN FACT OR IN LAW, WRITTEN OR ORAL, INCLUDING WITHOUT LIMITATION ANY WARRANTIES OF MERCHANTABILITY OR OF FITNESS FOR ANY PARTICULAR USE.

6. This Bill of Sale shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

7. Transferee acknowledges and agrees that, following consummation of the assignment and assumption and conveyance contemplated in this Bill of Sale, Transferor shall have no further duty or obligation with respect to the Units or the GE Agreement except as specifically provided for herein; provided, however, that Transferor, shall in no event be released from, and Transferor hereby agrees to defend, indemnify, and hold Transferee and each of Transferee's employees, agents, and representatives, and their respective successors and assigns, harmless from and against, any claims, liabilities, expenses, losses or other damages (including, without limitation, reasonable attorneys' fees and expenses) relating to the performance or non performance by Transferor of any of its obligations or duties under the GE Agreement that arose prior to the Closing Date (as such term is defined in the Settlement Agreement).

8. This Bill of Sale shall be governed by and interpreted according to the laws of the State of California, excluding any choice of law provisions or conflict of laws principles which would require reference to the laws of any other jurisdiction. All disputes arising under this Bill of Sale shall be determined by the courts of the State of California and the United States courts located in the State of California. The Transferor hereby consents to the jurisdiction of such courts, as well as to the jurisdiction of all courts to which an appeal may be taken from such courts, for the purpose of any suit, action or other proceeding arising out of this Bill of Sale and expressly waives any and all objections it may have as to venue in such courts.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK/SIGNATURES FOLLOW ON
NEXT PAGE]

IN WITNESS WHEREOF, Transferor and Transferee have caused this Bill of Sale to be executed and delivered by their duly authorized representative as of the day and year set forth in the opening paragraph of this Bill of Sale.

WILLIAMS ENERGY MARKETING &
TRADING COMPANY [OR ITS
DESIGNEE]

Witness

By: _____

Name: _____

Title: _____

[TRANSFeree]

Witness

By: _____

Name: _____

Title: _____

Schedule 4.7 (d)

AG Distribution

Schedule 4.7(d)

Distribution of Cash Consideration by AG

As set forth in the Settlement Agreement, Williams will pay cash consideration directly to the AG. The AG will distribute the cash consideration, as soon as reasonably practicable after receipt of payments from Williams, as set forth in this Exhibit. If any payments are accelerated and paid in an amount reduced by NPV as set forth in the Settlement Agreement, distributions will be made by the AG as soon as reasonably practicable after receipt, equivalently reduced by NPV.

First Payment (\$42 M. due at execution)

1. \$17 million to the Northwest AG s (\$8.5 million to Oregon AG and \$8.5 million to Washington AG) for the benefit of energy consumers at the sole discretion of the Northwest AG s. At the Northwest AG's discretion, such benefit may be direct or indirect. Up to 6% of the total amount of the Northwest AG's apportionment may be used by the Northwest AG's to pay for costs, attorneys' fees and administrative expenses incurred in pursuing the Litigation claims, including, but not limited to, costs, attorneys' fees, and administrative expenses related to implementation of this settlement;
2. \$2 million to the Energy Oversight Board for costs;
3. \$2.75 million to the AG for costs;
4. \$2.75 million to the California PUC for costs;
5. \$1 million to the City of Oakland, the use of which funds, as a required condition of this Settlement, are restricted to activities that promote alternative energy production or improved energy efficiency in the City;
6. \$1 million to the County of Santa Clara, the use of which funds, as a required condition of this Settlement, are restricted to activities that promote alternative energy production or improved energy efficiency in the County;
7. \$1 million to the County of Contra Costa, the use of which funds, as a required condition of this Settlement, are restricted to activities that promote alternative energy production or improved energy efficiency in the County;
8. \$2.1 million to the California Water Districts identified by name in paragraph 1.13 of the Settlement Agreement, to be paid to an account administered by their attorneys Best, Best & Krieger (with payments prorated to each Water District by agreement of the Water Districts) and for the use of those districts restricted to the construction of energy efficiency and/or reduction of pollution associated with the consumption of energy;
9. \$4,000 to County of Contra Costa for costs;

10. \$30,000 to County of Santa Clara for costs;
11. \$250,000 to City and County of San Francisco for costs;
12. \$16,000 to the Water Districts identified by name in paragraph 1.13 of the Settlement Agreement for costs
13. \$15,000 to the City of Oakland for costs;
14. \$4 million to a fund to be created in the California Power Authority for costs associated with siting and installation of the LM6000 units obtained through this Settlement;
15. \$8.085 million to the Alternative Energy Retrofit Account at the Power Authority for retrofit of schools and public buildings.

Second Payment (\$30 M, due 1/04):

1. \$10 million to the Northwest AG s (\$5 million to Oregon AG and \$5 million to Washington AG) for the benefit of energy consumers at the sole discretion of the Northwest AG s. At the Northwest AG's discretion, such benefit may be direct or indirect. Up to 6% of the total amount of the Northwest AG's apportionment may be used by the Northwest AG's to pay for costs, attorneys' fees and administrative expenses incurred in pursuing the Litigation claims, including, but not limited to, costs, attorneys' fees, and administrative expenses related to implementation of this settlement;
2. \$1 million to the Energy Oversight Board for costs;
3. \$1.75 million to the AG for costs;
4. \$1.75 million to the California PUC for costs;
5. \$.5 million to the City of Oakland, the use of which funds, as a required condition of this Settlement, are restricted to activities that promote alternative energy production or improved energy efficiency in the City;
6. \$.5 million to the County of Santa Clara, the use of which funds, as a required condition of this Settlement, are restricted to activities that promote alternative energy production or improved energy efficiency in the County;
7. \$.5 million to the County of Contra Costa, the use of which funds, as a required condition of this Settlement, are restricted to activities that promote alternative energy production or improved energy efficiency in the County;
8. \$1.6 million to the California Water Districts identified by name in paragraph 1.13 of the Settlement Agreement, to be paid to an account administered by their attorneys Best, Best & Krieger (with payments prorated to each Water District by agreement of the Water Districts) and

for the use of those districts restricted to the construction of energy efficiency and/or reduction of pollution associated with the consumption of energy;

9. \$250,000 to City and County of San Francisco for costs;

10. \$4 million to a fund to be created in the California Power Authority for costs associated with siting and installation of the LM6000 units obtained through this Settlement;

11. \$8.15 million to the Alternative Energy Retrofit Account at the Power Authority for retrofit of schools and public buildings.

Third Payment (\$15M due 1/05):

1. \$3 million to the Northwest AGs (\$1.5 million to Oregon AG and \$1.5 million to Washington AG) for the benefit of energy consumers at the sole discretion of the Northwest AGs. At the Northwest AG's discretion, such benefit may be direct or indirect. Up to 6% of the total amount of the Northwest AG's apportionment may be used by the Northwest AG's to pay for costs, attorneys' fees and administrative expenses incurred in pursuing the Litigation claims, including, but not limited to, costs, attorneys' fees, and administrative expenses related to implementation of this settlement;

2. \$5 million to the City of Oakland, the use of which funds, as a required condition of this Settlement, are restricted to activities that promote alternative energy production or improved energy efficiency in the City;

6. \$5 million to the County of Santa Clara, the use of which funds, as a required condition of this Settlement, are restricted to activities that promote alternative energy production or improved energy efficiency in the County;

7. \$5 million to the County of Contra Costa, the use of which funds, as a required condition of this Settlement, are restricted to activities that promote alternative energy production or improved energy efficiency in the County;

8. \$1.1 million to the California Water Districts identified by name in paragraph 1.13 of the Settlement Agreement, to be paid to an account administered by their attorneys Best, Best & Krieger (with payments prorated to each Water District by agreement of the Water Districts) and for the use of those districts restricted to the construction of energy efficiency and/or reduction of pollution associated with the consumption of energy;

9. \$3.4 million to a fund to be created in the California Power Authority for costs associated with siting and installation of the LM6000 units obtained through this Settlement;

10. \$6 million to the Alternative Energy Retrofit Account at the Power Authority for retrofit of schools and public buildings.

Fourth Payment (\$15 M due 1/07):

1. \$1.5 million to the City of Oakland, the use of which funds, as a required condition of this Settlement, are restricted to activities that promote alternative energy production or improved energy efficiency in the City;
2. \$1.5 million to the County of Santa Clara, the use of which funds, as a required condition of this Settlement, are restricted to activities that promote alternative energy production or improved energy efficiency in the County;
3. \$1.5 million to the County of Contra Costa, the use of which funds, as a required condition of this Settlement, are restricted to activities that promote alternative energy production or improved energy efficiency in the County;
4. \$2.5 million to a fund to be created in the California Power Authority for costs associated with siting and installation of the LM6000 units obtained through this Settlement;
5. \$8 million to the Alternative Energy Retrofit Account at the Power Authority for retrofit of schools and public buildings.

Fifth, Sixth, Seventh Payments (\$15M due 1/08, 1/09, 1/10):

For each payment:

1. \$2 million to a fund to be created in the California Power Authority for costs associated with siting and installation of the LM6000 units obtained through this Settlement;
5. \$13 million to the Alternative Energy Retrofit Account at the Power Authority for retrofit of schools and public buildings.

Schedule 5.1 (f)

Consents

Schedule 5.1(f)

GE Packaged Power, Inc. related to the Property and the GE Agreement
As identified in the Renegotiated Contracts